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HOW TO COLLECT MONEY BY MAIL

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THE MAIL BRING MONEY DUE



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HOW TO COLLECT MONEY BY MAIL

HOW TO WRITE EFFECTIVE COL-
LECTION LETTERS—TESTING COPY—
PLANNING A SERIES—RETAIL, INSTAL-
MENT AND DEALER ACCOUNTS—CREDIT
SYSTEM—COLLECTION SCHEMES AND
LEGAL STEPS—HOW CREDITORS
COOPERATE TO CURE “SLOW
PAYS” AND BAD ACCOUNTS

157 MONEY GETTING
PLANS ADOPTED BY
43 CORRESPONDENTS



A. W. SHAW COMPANY
CHICAGO NEW YORK
A. W. SHAW COMPANY, Ltd., LONDON
1913

SYSTEM

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- HOW TO INCREASE A BANK'S DEPOSITS
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THE MAGAZINE OF MANAGEMENT

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Part I

PERSONALITY LETTERS THAT SETTLE MOST ACCOUNTS

Make Your Letter Talk

MEN neglect at long range—they cheat in the crowd. It's the stranger that is sent off with scant consideration.

When a man dodges payment, he dodges creditors. Neighbors are easiest remembered—close-at-home debts are first paid.

Get close to your man. Keep your debtor in sight. In your letter, "talk it over" with him personally.

Most accounts are lost because the debtor feels sheltered by the mass—because your letter comes as one of hundreds put out to delinquents you follow in droves.

Make the man who owes you money feel your presence. Stand him out alone. Get to him with your reminder *on the day*.

Talk to him man to man. Make his debt a matter between neighbors. Keep a shrewd but kindly eye upon him. Let your letter show precisely—undeniably—why it is an advantage to him personally to pay you in particular.

Go to him with your letter as you would in person. Let him feel that you know and read him.

Make your letter talk.

MAKE YOUR LETTERS CLASSIFY YOUR DEBTORS

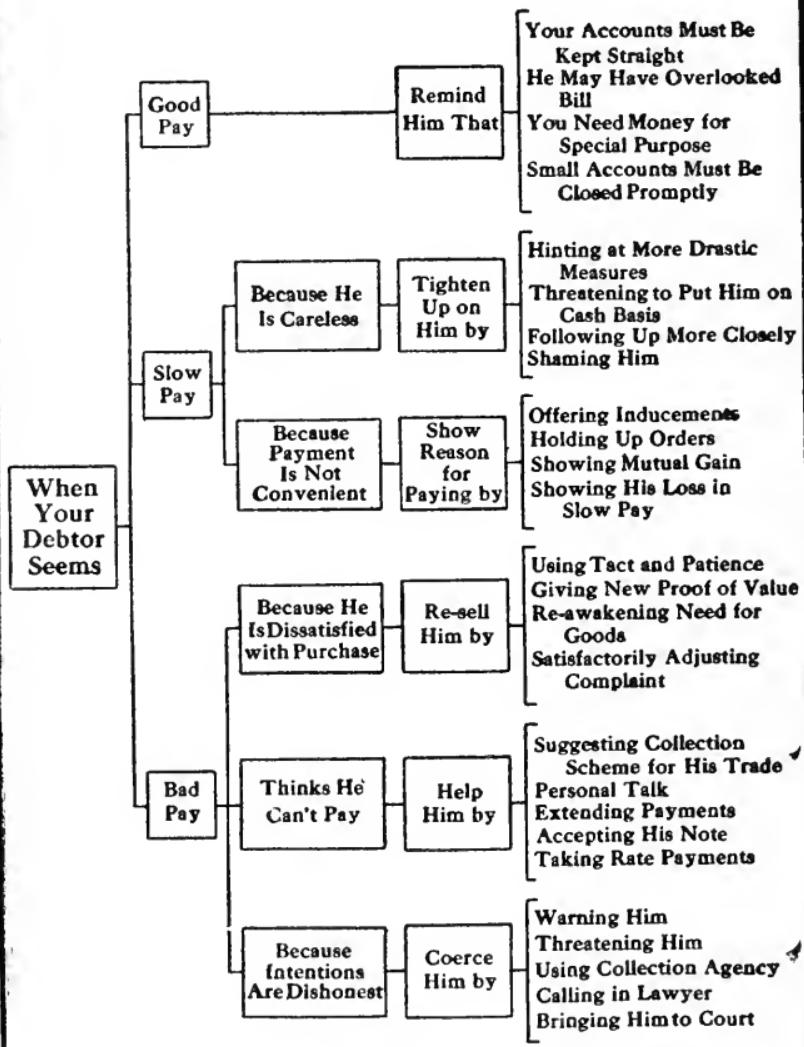


CHART I: The debtor's reply to a letter denotes the kind of talk necessary to bring in the balance due. Begin with "good pay" arguments and proceed through the chart until the attitude of delinquent is determined.



CHAPTER I

How to Rouse the Will to Pay

McGRAW, a newspaper man who had worked his way up from typesetter to business manager, took a position as collection correspondent in a wholesale paper house. "Your experience in writing and in dealing with paper buyers must have fitted you for this work," said his employer. Results, however, did not justify the conclusion; sluggish collections did not pick up.

When the situation was analyzed, one peculiar circumstance stood out in relief: remarkable returns from delinquent printers were counterbalanced by uniform failure to collect from mercantile concerns.

The "hard-luck" stories McGraw received from printers had recalled problems in his own newspaper experience. The memory of his emotions in similar situations influenced him when he answered. Evidently it was his sympathy and understanding of their problem that gave his letters a personal pull irresistible to harassed printers; unconsciously he classified and individualized them. But with other customers he had a hit-or-miss style which missed oftener than it struck home. Like many other correspondents, McGraw discovered

that collection letters, to produce results, must have a vital, man-to-man appeal. Carelessly compiled form letters, followed by perfunctory personal appeals, sight drafts, collection agency work and hot-headed appeals to the law will not bring in the money. The modern collection man must be an originator, a man of intuition and of discernment; he must understand and touch the various human motives which actuate a debtor.

Shaping his course to the new idea, McGraw and his employer fixed upon a policy in regard to credits, a plan of payment and other details of collection method. They then devised methods of applying automatic routine to the numberless details which clogged the gears of the collection machine. Records were prepared which gave the correspondents an idea of delinquents' habits and characteristics, and became more valuable year by year. The schemes for collection which suggested themselves from time to time were not accepted on their face value as before, but were tested on selected lists of delinquents.

Results so secured served as sign posts to the wholesaler and pointed the way to greater efficiency.

How to Classify Delinquent Dealers—the First Move in Bringing in Overdue Accounts

Deciding upon the kind of debtor with whom you have to deal is a trick which appears difficult at first glance, but, when you get the knack, is comparatively simple. Collection correspondents group debtors into three great divisions: *good pay, slow pay, and bad pay*. Every business, no matter how small or how large, can get information that pigeonholes most debtors in their proper class.

The retail store man, for example, has his personal knowledge of his customers. That failing, clerks from various neighborhoods or mutual friends can throw light on the character of delinquents.

If you have a multitude of accounts to handle, get the needed intimacy by a study of the personality betrayed in the debtor's correspondence. Look over the letter twice before attempting to picture your debtor to yourself. The first reading brings out facts. The second develops an impression of the man. See if your debtor is trying to evade your question; whether his excuses ring true or false. See if he is craftily playing you for more time. Is he ignorant, obstinate, careless, dull? These are some of the facts to be sought between the lines of a letter.

When a successful correspondent encounters an obdurate debtor, he puts off the writing of his letter until he has made a regular round in search of data. He examines the credit man's records, finds what people of the house know of the prospect's business policies, competitors and methods of holding trade. Traveling salesmen are called upon occasionally to help with the personal peculiarities of a delinquent.

But if you find your sources of information limited, *make the collection letter clear the way*. Avoid the common mistake of showing irritation in your first letter to a debtor. Begin in a friendly, genial manner, and *make the delinquent classify himself by his answer*. Then take the proper steps to make him pay up in quick time. One or two form letters filled in and mailed by inexpensive assistants will dispel the doubts existing about a debtor and put a definite problem up to you. Your task then narrows down to that of selecting and present-

*No regrets
necessary.
Too much
"we."*

*"We" again
predomin-
ates. Weak.
No argu-
ments.*

Trite.

*Practically
an invitation
to delay.*

*Lacks "do it
now" ele-
ment.*

Dear Sir:

We regret to be compelled to again call your attention to overdue payments on your account. You agreed to make us a remittance regularly each month and we have, naturally, planned on receiving the payments in this manner.

This notice is sent where a list of customers is small and where it does not pay to send a collector or where you have moved from the place where the goods were leased and taken them with you. It is our impression that you do not realize that by doing this you forfeit all claim to them by violating the terms of the lease.

"Honesty is the best policy," and, therefore, an immediate settlement will save all future trouble, annoyance and expense for all parties interested.

We shall continue to remind you of your duty in this matter from time to time until the account is settled or until you compel us to resort to harsher methods. We do not intend to be offensive or impolite, all we want is the money you owe us.

Trusting that you will give this matter your prompt attention and awaiting the remittance requested, we are,

Respectfully yours,

Letter written by a New England furniture dealer as second of a series of collection letters. The "we" element prevails throughout. Instead of showing the delinquent why he must pay or making it to his advantage to do so, the letter bristles with weak reasons as to why the writer needs the money. The collection methods of the writer and the system in use are of no particular interest to the customer. The writer's "impression" that the customer may lose title to goods raises doubt instead of conviction in the debtor's mind. The fourth paragraph is, practically, an invitation to continue to delay. "Trusting" instead of "insisting" in the clincher paragraph is the final touch of absurdity.

Straightforward appeal for a square deal.

Specific, tactful, warning, tolerant, without weakness.

We'll help you attitude

Dear Sir:

We dislike to believe that our two previous letters relative to the amount due on your contract have been ignored by you either through a lack of courtesy or to evade the payment of a just debt.

We certainly feel that we had a right to expect at least an acknowledgment of our letters, but we are still desirous of extending every possible courtesy to you consistent with good business policy. Bear in mind that the piano is our property until fully paid for. When you violate your contract you forfeit all rights to payments made. But in view of our friendly relations, we shall defer any further action in the matter for a few days in order to permit you to arrange for making the payment.

If there is any valid reason why you are unable to meet this obligation at the present time, you should arrange to come to our office immediately that we may talk the matter over together.

Let us hear from you, therefore, within the next day or so, either by a personal call or letter.

Confidently awaiting a remittance by return mail, we are

Yours truly,

In re-writing the furniture company's letter, the correspondent took a more humane view of the debtor and wrote in a frank friendly tone certain to rouse good feeling in the heart of the debtor. (In earlier letters an opening of this sort was followed by selling talk such as excerpts from testimonials by other purchasers.) In the second paragraph the writer, instead of hurling platitudes at the debtor, appealed to his sense of fair play and shame. Then, without weakening his demand for payment, he showed that he was willing to be fair, emphasizing his attitude with a hint of the power that he held over the debtor. In closing, the writer, instead of tossing a hackneyed maxim at the reader, implied his real belief in the debtor's honesty by "confidently awaiting" a remittance.

ing the kind of talk which fits the case.

Straightforward talk, teeming with human interest, is the magnet which draws the dollars from the debtor's pockets. When you have classified your debtor, get on his side of the fence and see the situation through his eyes. Make him feel from your first word that your interests and his are mutual. The correspondent who learned that a customer's home has been destroyed by fire and offered an extension of time on an overdue account showed a lively appreciation of his delinquent's troubles and established cordial relations which settled a reurring business worry.

Playing Upon the Debtor's Personality—the Key-note of Every Successful Collection Letter

Get the "I'll-help-you" attitude in your letter. You will draw big dividends on that small investment. Let your debtor realize that your desires are his desires in a similar situation and state your case frankly in terms of a square deal. There need be no lack of dignity or firmness. You need no note of apology or humility. To give your letters life, get in intimate touch with your prospeet.

An analysis of proved collection letters shows this "you" interest appearing in dozens of ways, limited only by the skill and experience of the collection correspondent. Wherever the motive appears and however it is applied, it can be placed under one of five great divisions: *pride, utility, caution, money, and self-indulgence*. All these are common to humanity, and all human endeavor can be traced to them as causes. Study them and select the form in which you can best apply them to the cases which worry you.

If your records show the delinquent to be a man of prominence in his community, to bear down on the pride motive will get returns. Dwell on the humiliation and embarrassment which attend a suit for debt. Awaken his moral sense to the necessity of paying. An appeal to his sense of honor and fair play gets results. By showing your high esteem of the debtor's character and ability, you convince him that payment is his only way of keeping himself on the pedestal where you have placed him. Caution the cunning man who seeks to take advantage of your liberal business policies. Show him that his action is losing him more than the amount of his bill. Proof that you are in touch with his other creditors will do the trick.

Utility touches all of your debtor's solid interests in life—the conveniences, necessities and uses which credit, good reputation and freedom from collection embarrassment supply.

Remind the dealer, the consumer, the man who owes for trade or professional service, that inconvenience—loss of reputation—perhaps want—trails at the heels of non-payment, and you have made a strong case for your house.

How to Show the Debtor that Prompt Payment Is to His Advantage

When the owner of a general store wrote his slow pay customers that a prompt payment of their bills would enable him to take advantage of a break in the market and buy at a heavy discount, his customers saw the money appeal in the reduced values which the dealer promised to share. He said:

"This letter will show you how you can save big

money on goods you buy of me. Hereafter you will share in the profits on such purchases. This is my profit-sharing plan."

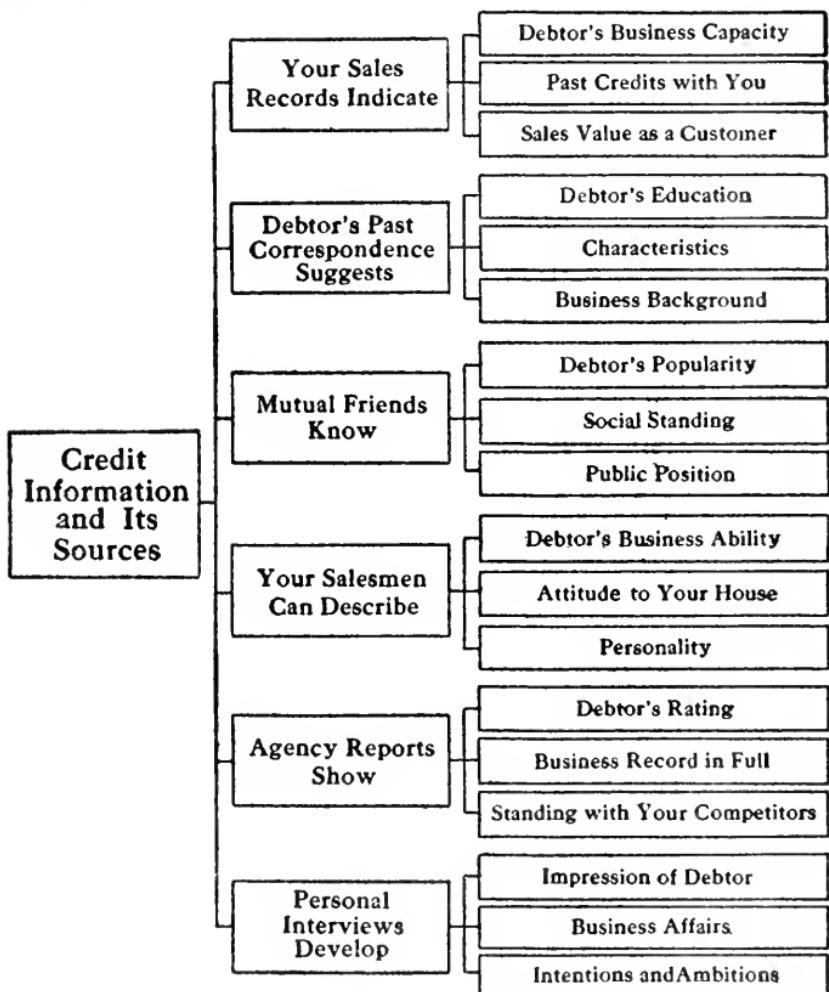


CHART II: Get a line on your man. Every correspondent has within reach a mass of formal and informal information about customers. Consulting these sources will determine collection methods and suggest arguments to fit every case.

He followed this attention-getting paragraph by a heart-to-heart talk, showing that prompt collections enabled him to buy and sell cheap, and that prompt pay-

ment meant profit sharing. Other creditors apply the money appeal by offering premiums and discounts, or by pointing out the debtor's chance of losses.

Every debtor's account shows some twist, some turn, which by merely casual inspection will suggest a scheme of collection. The reader of a collection letter is torn by conflicting emotions. His instinctive prompting to pay is followed by the impulse to delay. Appeal then to the feeling and not to the intellect.

Force and threats of force, except in extreme cases, lead to nothing. Write from the salesman's point of view—for there is salesmanship in the right kind of collection letter. In one case you sell goods, in the other you sell satisfaction. In both cases you play upon identical human instincts.

Logic, tact and diplomacy, clever wording and deft argument in a letter are appropriate to progressive business methods and will arouse a friendly willingness to pay.

Keep Your Trade Alive

GOOD collectors put salesmanship into their letters and think not only of keeping bad accounts from rising above the established allowance, but also of increasing the volume of business their house is doing. They look to the future as well as to the past.



CHAPTER II

How to Write a Collection Letter

HUNDREDS of arguments can be made in hundreds of ways to a debtor of any class. When you have classified your man, therefore, think—deliberate. *Don't dictate the first idea that pops into your mind.*

The “you” appeal does not require a page riddled with the personal pronoun. Get a mental picture of your prospect. Try to forecast the mood in which he will receive your letter and write in a way that meets that mood, for the best collection letter is a mirror to your reader. He looks at it and sees himself. To be effective, make your letter play upon traits common to mankind, but which your reader thinks peculiar to himself.

In a specially dictated letter, you can get in contact with your customers by touching upon personality. In your form letters, build your arguments upon oddities of mind and temperament which the individual can apply to himself. But even after you have pictured your man at his desk and selected the motive to move him, your task is only half done. Make your letters remove, as far as possible, the disturbing influences which surround every busy man. Then, in composing, aim for

the four points which make up a good collection letter. *Get attention, hold interest, present arguments and inspire action.*

Give Your Letter the Direct "Drive" of a Powerful Selling Talk

Keep your man's education and business experience in mind. Write as nearly as you can the kind of letter he would send you in similar circumstances. When you dictate, keep your man's classification in mind, or if he has written you, take another look at his letter and make it picture the type of man with whom you deal. Use language that your prospect will understand. The untaught country man is irritated by the crisp business tone of a letter which sounds "pat" to the busy city man. On the other hand, the rural reader will leisurely assimilate a wordy appeal which the hurried townsman dismisses in contempt.

No matter whom you address, strive for simplicity. Be direct, straightforward and clear in composing, for the reader has at each point but a limited amount of mental power available. To interpret your word-symbols requires part of the reader's power; to get the thought suggested by them requires a further part; and only what mental power remains can be used for the decision you want. Hence, the more time and attention it takes to receive and understand each sentence, the less time your debtor can give to your idea—the less vividly will that idea be conceived.

Adopt a habit of using short words and short sentences. State your points so that the man need not go backward and forward to connect them. Ideas should be understood as they appear. Be brief. Find the

contrast, the likeness, the thought-flash and word short-cut to your points.

A New York credit man found the idea for a successful collection series by watching passengers in a suburban railroad station. The commuters, attracted by the piles of magazines, idly thumbed the pages. Some passed on; others remained to read. When they

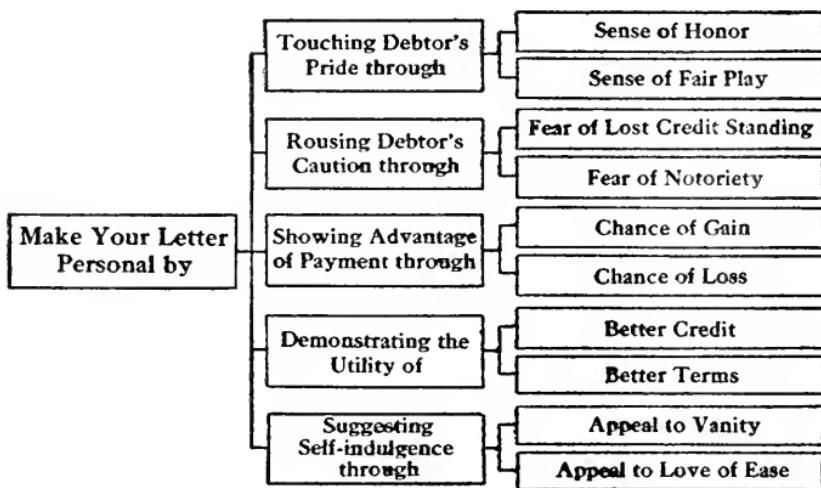


CHART III: Upon the proper application of the "you" interest depends the value of a collection talk. An analysis of the chief characteristics played upon by credit correspondents in many letters shows in the chart

heard the rattle of the approaching train, they groped for a coin, tossed it on the counter and joined the rush for seats.

"Their attention was attracted. The timely interest of the article said, 'Buy me.' The approach of the train compelled decision," mused the credit man, as he review the incident at his desk the next morning.

Adopting the idea, he broke away from the stereotyped openings which had hampered his former letters. He first tried his new scheme on the safe but care-

LETTERHEAD

Date

Name and Address
of Debtor

Dear Sir:-

Compel Attention

By a startling statement, or
 By awakening curiosity, or
 By advancing a new proposition

Arouse Interest by an Approach Which

Is timely, or
 Is intimate, or
 Has new value

**Argue for Payment because of the Debtor's
Profit as Regards**

Money
 Utility
 Caution
 Pride
 Self-indulgence

Impel to Prompt Action by
Making remittance easy
 Concise summary of advantages payment will bring debtor
 Rousing debtor's instinct to act without reflection
 Advancing a further advantage or condition that hinges
 on immediate payment

Yours very truly,

Signature

Good or bad "make up" in the collection letter has much to do with its effectiveness. A neat note will get action when the careless letter fails. Best usage limits the collection note to four paragraphs. The first hooks attention by means indicated in the chart. The second paragraph lays the ground for argument by interesting the reader. The third paragraph presents reasons for paying, while the fourth realizes on the good intentions called up by vitalizing them into action.

less delinquents, and opened the letter with the question:

"Will you be good enough to let me know if the enclosed statement is correct?"

"That will get attention," he thought, "for even the man who won't pay his bills doesn't care to be dunned for more than he owes."

Realizing that the reader would be liable to throw the letter aside on recognizing it as a dun, the collector reassured him in the next paragraph by saying:

"Please do not consider this note in any way a demand for direct payment."

The delinquent was then adroitly led into an argument which explained that the books of the company were to be audited and that prompt payment would establish credit. The letter concluded with this suggestive sentence:

"Checks should be mailed as heretofore to the store from which goods have been purchased."

In this letter, attention, interest, argument and clincher followed each other in logical sequence, and through their clean-cut appeal brought in the money.

A scheme for getting attention, such as used by the New York man, must lead every letter. The average reader picks up a collection letter as one of a dozen. He is hurried. His head seethes with business problems important to him. You have to make your business as important as his own. The salesman who fails to get attention with an opening sentence can make a quick change of front. The letter writer has to take command in the first sentence and batter down a wall of opposition in quick, sure strokes. Any one of men's five classes of motives may be used.

A Denver collector depends upon curiosity to get attention and lead into interest. He opens his first letter with the remark:

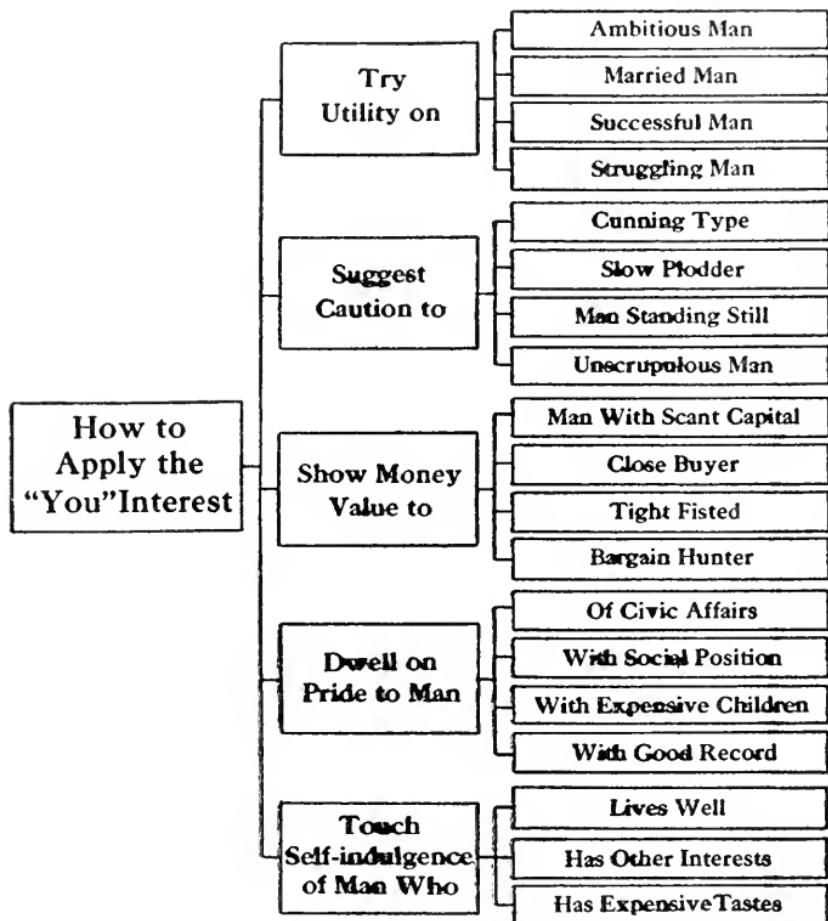


CHART IV. When in doubt about the motive on which to thread the arguments in your collection letter, get a line on the character and circumstances of your man and follow out the appeal indicated

"We were talking about you in the office this morning."

The record of results from the letter showed that many readers had their attention fixed by the phrase,

They read on to find out what was said and turned their thoughts to the overdue account. The argument which followed secured payment.

With attention won, your next step is more difficult. You have to secure interest and make your man get well into your letter before he realizes he is being dunned. The schemes which you use to compel attention can be used to hold interest, or you can compare the advantage of paying with the disadvantage of not paying. Play up your customer's interests at this point and submerge yours.

A Cleveland shoe dealer achieved interest by tempting his reader's curiosity. He led the second paragraph with the statement:

"This frank explanation is due you."

The line had a seductive ring that made the debtor read on.

A wholesale correspondent gets the same effect by hurling questions which every man would like to have answered.

"What makes every merchant big? What makes every big merchant rich?" is the way he begins the interest paragraph. His answer, "*credit*," forms an argument for payment.

How to Make Your Argument Reach the Climax of "You" Interest

By getting the reader's attention, you turned his thoughts from other matters. When you roused his interest, you led his thoughts to mutual affairs. Now spring the trap. With swift flowing sentences, brisk, brief, to the point, make your argument. Always present your case from your reader's point of view, avoid-

ing as far as possible the question of benefits accruing to you and emphasizing advantages to the debtor. Select the motive—profit, pride, safety—most suitable for the prospect. You have, you remember, five classes of appeals to choose from—*caution, utility, pride, money and self-indulgence*. The classification you have made of your debtor indicates the proper motive. Your knowledge of him, gained through letters, business dealings, salesmen, friends and other sources, indicates the way it may be applied.

Caution, for instance, is always a timely appeal. Here is one of the hundreds of ways in which it has successfully been applied:

"We wish to call your attention to your contract, which is drawn according to the laws of the state. And you will understand, we can not only re-take our merchandise, but may retain as liquidated damages all payments you have made, and, in addition, secure judgment for any depreciation in the value of this merchandise while in your possession."

In six lines, the reader is cautioned as many times. Among the distinct thoughts advanced are fear of the law, loss of goods, money damages and expense of suit. In a similar way and with as many variations, utility may be run into the argument. Or if utility or caution seems inapt, the remaining motives may be applied.

Pride is the easiest motive of all to touch, for it is hard to find a man who doesn't care to stand well in the esteem of his neighbors and friends. Consequently strong collection letters carry the pride appeal well emphasized. One effective paragraph of the sort which has been used with great success by a Boston instalment man reads as follows:

"Have you not sufficient personal pride to protect your reputation for integrity? Would you care to have your neighbors and your friends know that you have tried to obtain part of the furnishings of your home without paying for them? And would you care to have an officer of the law replevin these furnishings from your home? I will ask you to stop and consider the notoriety and embarrassment which you would be forced to undergo should you be made the defendant in a suit for unpaid debt and have these details become public."

Here is a picture vivid enough to budge any man over the border of indecision. Pierce a man's pride and you have a compelling argument. Make him act because of love for family, through business or social standing, or through the reputation for fairness and square dealing which he would maintain. In a similar way, picture the ease and freedom from worry of the man who pays his bills and place it before one who is inclined to be self-indulgent. But whatever appeal you make, be sure that you have a knock-out punch at the end of the letter.

Getting the Check Signed at Long Range—The Letter that Brings Action

Too often a letter which gets attention, holds interest and contains strong argument loses its force in the final lines, because it lacks a "do-it-now" element. The writer "*hopes to receive an early reply,*" or "*trusts that the matter will receive prompt attention.*" The reader, already moved to payment, turns from his purpose at any such confession of weakness.

Make it easy for the debtor to follow the chain of thought you have started. Enclose an envelope or a

coin card, or if you know his bank, enclose a check which only needs his signature. Ask him, if the bill is small, to pin currency to the letter at your risk. The line, "*Don't bother with money order or draft; simply send us your check,*" often is sufficient. Finally, instead of "hoping" or "trusting", end with a sentence which expresses your confidence in getting prompt payment. One man says, "*Thank you for prompt payment.*" Another closes with, "*Will you kindly see that this matter gets the attention it deserves?*" There are dozens of other ways of closing your letter with a crash, but in every case select the method which best fits the reader and prompts him to immediate, unreflective action.

Collections Win Business

CUSTOMERS who keep their accounts paid up feel a certain satisfaction in dealing at that store. They are privileged persons—always welcome.

If they lag, there is an irresistible temptation to cross to the other side of the street, so it is not always so much a matter of getting the money as of keeping the customer's conscience clear that prompts a credit man to keep the buyers up to date on their bills.



CHAPTER III

Persuading Dealers to Pay up

A NYTHING from Brown this morning?" inquired the sales manager for a middle western shoe factory.

"Nothing yet," said the collection manager. Week after week he heard the same question—had to give the same answer. He tried various novel collection ideas. Brown, the shrewd shoe dealer in a little Ohio town, remained unmoved, counting on the fact that he was rated "slow, but good."

Finally the credit manager hit upon a new twist for the old sight draft procedure. First he wrote Brown a "selling" letter, pointing out the trade advantages in price, in quick service, in good quality and in easy transportation which his factory represented to Brown—and might represent to Brown's competitor across the street. He pointed out the prestige and accumulated value which had accrued to Brown through his own local advertising, linked with the manufacturer's.

"One big item in any dealer's working capital," ran the letter, *"is this advertising and this prestige. It is such a valuable asset that its loss often cripples the dealer who is divorced from his standard lines."*

The collection manager's next note was curt. It built upon the effect of the previous letter. It notified Brown that a draft had been drawn on him and warned him that his credit would be cut off if he disregarded it. The former letter had made Brown appreciate credit as never before; with the final ultimatum before him, he reflected that shattered credit standing with his best source of supply meant more than six per cent to him. He saw his lines and his advertising in the act of pulling customers in at his competitor's doors. He realized that he stood between this alternative and that of cash buying. When he grasped the importance of this warning, he honored the draft.

Brown's correspondent knew that refusal to pay a sight draft no longer suggests insolvency and that such a refusal may be made with impunity. He knew that to send a sight draft in the routine way usually delayed payment, irritated the customer and led to open war. It was an empty threat—how could he put force behind it?

Obviously, he could cut off Brown's credit. Would that mean anything to the slow-pay dealer? Would it threaten his business and make him see prompt payment as profitable? Instantly a successful collection plan shaped itself: *to sell the dealer his need of credit standing with the house*; to warn him that the refusal of the sight draft might mean loss of his credit privilege; to send the draft on the day.

From the city newsboy to the country storekeeper, men who buy to sell again can be made to realize that their credit standing with their best supply sources has much to do with their success. When they buy promiscuously, the collector has only a slight hold on them—

credit standing, therefore, must be awarded such purchasers only after rigid scrutiny. Where service, prices, shipping facilities and long continued advertising tie the dealer to the manufacturer and jobber, however, damaged credit standing means that the whole business limps.

This is the advantage which the wholesale collector can play in urging prompt payment—the disadvantage he can threaten—the club he can swing: *lost credit standing with your best source of supply*. No matter what routine form of collection is used—whether the statement, the personal note, the sight draft, the scheme, the letter holding up orders, or the personal interview—put into it some new twist or angle that points a warning finger to loss of credit standing. You can find your leverage in the fact that the debtor's buying facilities and advertising achievements may overnight be turned into the cash drawer of some competitor.

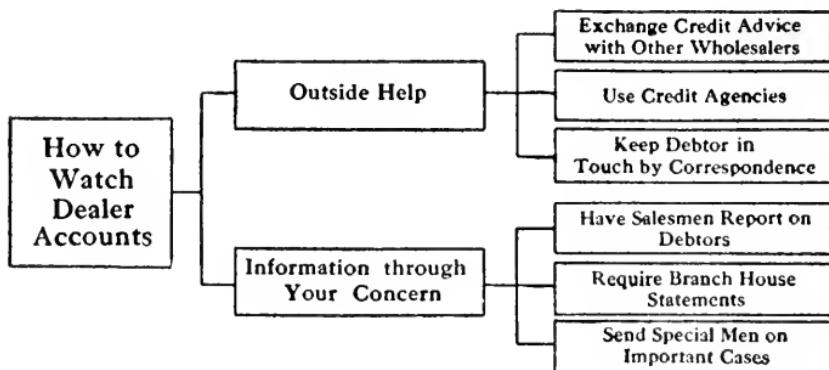


CHART V: Mail collection for the producer and wholesaler hinges on knowledge of the debtor. Know his ability, responsibility, personal characteristics, social position, business standing and dependence on you for merchandise. This chart shows your avenues of information

A blow at credit standing touches all the five elemental human promptings: pride, caution, utility, money

and self-indulgence. It strikes pride, because no one wants to be told that trust can no longer be reposed in him; caution, because injured credit standing spells injured business and makes every hard money situation dangerous; utility, because of the conveniences, the advantages, the necessities of profitable business which hinge on credit buying; self-indulgence, because a business man who has credit is not forced to keep the tight rein required every day where cash buying is done; and money, because low credit standing clips discounts, overturns buying routine and inflicts costly transportation methods.

The expert collector in the office of the factory or jobbing house has all this in mind when he writes to his debtor. He remembers that back of every claim for payment stands his power to withdraw credit. If his sales department has given service—if it has made buyers realize that the house offers them unusual advantages, the collector can put this new note into all his efforts and force attention, interest, compliance.

How to Make Your Collection Letter Play on the Dealer's Fear of Lost Credit Standing

The wholesaler's collection chief deals with business men. Letters to them may be plain requests for business justice. You can put a curtness into your reminders that would lose trade if used by a retailer in dunning his customers. Even the smallest business man is familiar with the forms of collection. He recognizes business routine, so long as it is coupled with power, system and fairness; he is equally quick to recognize the "bluff."

Talk to your debtor on paper just as if you were in-

terviewing him in his own office—fairly, frankly, directly. An Omaha credit man lets this idea dominate his whole collection plan. Instead of a form letter series or exclusive use of personal letters, he sends one standard note which is little more than a polite state-

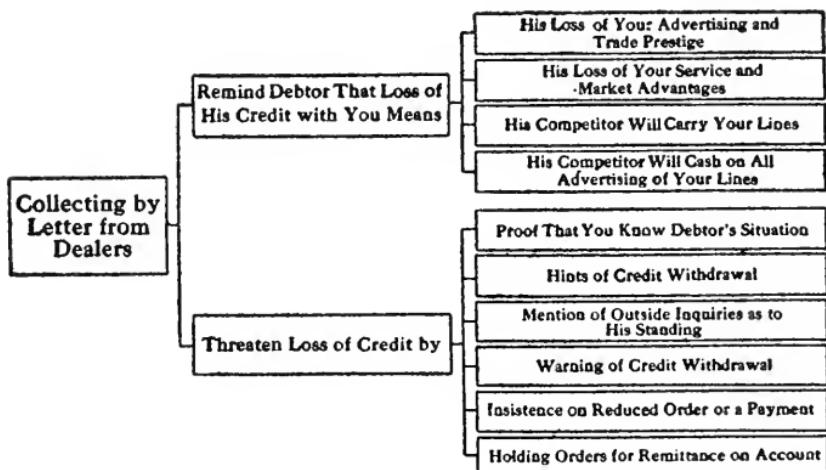


CHART VI: Know your man—then let him know that you know him. Make him realize what credit standing means and show him how essential settlement is by writing your letter on these vital themes

ment of the account and follows with a series of one-paragraph letters increasing in urgency. His third note, designed to develop the debtor's attitude, reads:

A business-like note

Our draft on you of October 8th has been returned to us. We have notified you twice about this account and have received no answer. Please be prudent about this; let us know your position. Kindly name us the date on which we may expect the amount due, \$54.40.

Another executive carries the business tone still further.

"Bills and statements," said he, "speak the everyday language of the retailer. Save the letter for the

special cases where you need diplomacy or sledge-hammer force. Until notice of suit, I send merely four consecutive statements of the account, writing upon each a long hand line or two of personal comment, such as:

- (1) "Not a dun—merely a reminder."
- (2) "Help us in our invoicing by getting this in as soon as possible."
- (3) "Shall we be obliged to give you unpleasant notoriety by bringing suit?"

Because your customers are in business themselves and, therefore, have collection difficulties of their own, they will feel the fairness of your claims upon them, if your letters talk man-to-man. Play upon this bond of sympathy. One collection man combined this tone with a hint of lost credit standing like this:

*Reaching the
debtor-dealer
by a man-to-
man para-
graph*

You have a store of your own. Isn't it true that some debtors are so persistently slow as to make you wish sometimes that you had never taken their orders? You know how good it feels when a man pays up promptly—how it makes you feel like extending him favors. Let us feel that way about you.

Whether muffled by tactful wording or not, the force of the personal note, the statement and the "fair-play" letter, lies in the power to cut off the debtor's credit with a supplier who represents profit to him. Sometimes it is necessary to give him a taste of lost credit standing in order to make him realize what is at stake.

How to Exercise Tact in Handling Orders from Your Poor Credit Risks

Tact in delaying shipment of new orders until payment is made on account often retains the customer's trade.

"Insufficient credit reports." This tactful phrase pulled a Western collection correspondent out of a predicament. Here was Hardy's order for a big fall shipment, lying beside a statement of his overdue account for \$329.00. Manifestly it would be impossible to fill that order with Hardy already beyond his credit limit, although his record was clean. The sales department was putting on pressure. An abrupt refusal of the order would drive off his trade. How, without offending the customer, could a payment be brought in such as would warrant the shipment? This letter by special delivery answered the question:

How a collection correspondent put "you" interest into a no-shipment-till-pay letter

Insufficient credit reports compel us to hold your order of the 18th. We regret that we have not been able to obtain just the information necessary, for our inability to do this causes us both annoyance. In order to make your delay in getting the goods as brief as possible, I am writing special delivery to say that I am authorized to have your order made up and to release it immediately on receipt of your check for \$125 on account.

This problem of a big order from a poor risk who has gone his limit, often causes friction between the credit and sales departments. The sales department believes that its efforts are being uselessly discounted, while the credit man thinks that ultimate profit has been overlooked in the effort to establish a sales record and feels justified in the attitude he has taken. Handling the case requires quick wits, keen appraisement of the circumstances and diplomatic phrasing. The condition of the account, together with quickly available credit information, dictates the course of action in any individual case. Often advice to the debtor to reduce his order for his own safety points the way out. Here is a letter that held

'down an account, made the merchant feel that his supplier had saved him from over-buying and rang the bell of warning which pulled payment back to the basis of promptness:

*How to veil
a threat of
lost credit
standing and
make the
dealer feel
your personal
interest in
building up
his business*

We have your order for one dozen Besteever Cream Separators. This is double the usual size of an order from a merchant of your rating in the middle western territory. We are holding the shipment while we write to suggest that unless you have customers lined up for this stock, you let us reduce the first shipment from twelve to six.

When you consider that you have a considerable account with us now, \$437.63, we feel that for your own interest as well as ours you will not want to stretch your credit by an unusually large order. If you have places for twelve separators, however, and can arrange to make us part payments of \$50 on the 12th, 22nd and 1st, we believe that you can buy safely, and we will be glad to ship you.

This letter was effective, not so much because it suggested a reduction of the order, but because it cautioned the customer that he was going beyond safe limits and touched his pride in his good standing. It flashed the possibility of lost credit as an impersonal necessity which lavish buying would soon bring. It made him feel that he must pay his account in order to keep his business running well and to avert the sure fate of a C. O. D. rating.

The "you" interest that brings in wholesale accounts is this; *prompt payment means continued credit and buying favors for the debtor from his most profitable sources; delinquency means the loss of these advantages.* This is the power that must be felt in your strongest "suit" letter and your most intimate personal request, whether hinted in diplomatic phrases or shouted in underscored "caps."



CHAPTER IV

Collecting Retail Bills by Letter

WHEN Hilton failed, he learned his collection lesson. He reviewed the causes of his insolvency. At a critical point in his affairs he had found needed capital tied up in bad accounts. *Unwise credits?* They could not fairly be called that. Most of his debtors were good for amounts far greater than their debts; *loose collection methods* were to blame.

Hilton remembered customers who had transferred their trade without apparent reason; others because they were offended at his plain letters; and some who had left town owing him money because his letters were not plain enough. He remembered a senator who was furious at monthly statements and a society woman who bought beyond her means because statements were not sent promptly enough.

Hilton knew that he had been wandering in the dark. Finally the "trouble man" for one of his wholesale creditors showed him that his mistake had been not *to classify his customers*.

Hilton had sent the same form letter to John Jones, laborer, as to John Smith, senator—and he should not have sent a form letter to either of them. John Jones

needed a week-end statement. Quick work would have brought a check from his extravagant woman customer. A "mere reminder" when the account was two months old would have saved Senator Smith's patronage. When Hilton got on his feet again he classified his customers, in order that he might keep correct touch with each group and follow every debtor in the way which collection practice has found most effective.

Debtors to the retailer, the public service company and the professional man need special groupings. Most of the retail merchants' customers are women, and very few of them have any technical knowledge of business. The retailer has to handle accounts of non-property owners guaranteed by their acquaintances, charges by irresponsible buyers, "skips," people who are wealthy, but slow to pay and quick to resent a dun, salaried customers, wage earners who are dependent on local day labor, and professional "dead beats." Nor can retail accounts be reduced entirely to tickler routine, for they are the most intimately personal of all business debts. A local strike or lockout may upset an entire collection campaign—personal work on many of the names is essential week by week.

Making Retail Collection Individual. Classifying the Debtor, then Reaching Him on Time

Promptness is the great essential in dealings with retail debtors. All classes of retail delinquents are tempted to transfer their trade when their accounts get formidable. Your debtors may do this more easily than the wholesaler's, who realize how much their business depends on their credit standing with one or a few well-located suppliers; or instalment buyers, who are usually

bound by contracts and mortgages. Educate your customers, therefore, to pay promptly; show them an advantage to themselves—sell them the peace of mind, the good standing in their community or the credit extensions they will enjoy when they pay their bills as

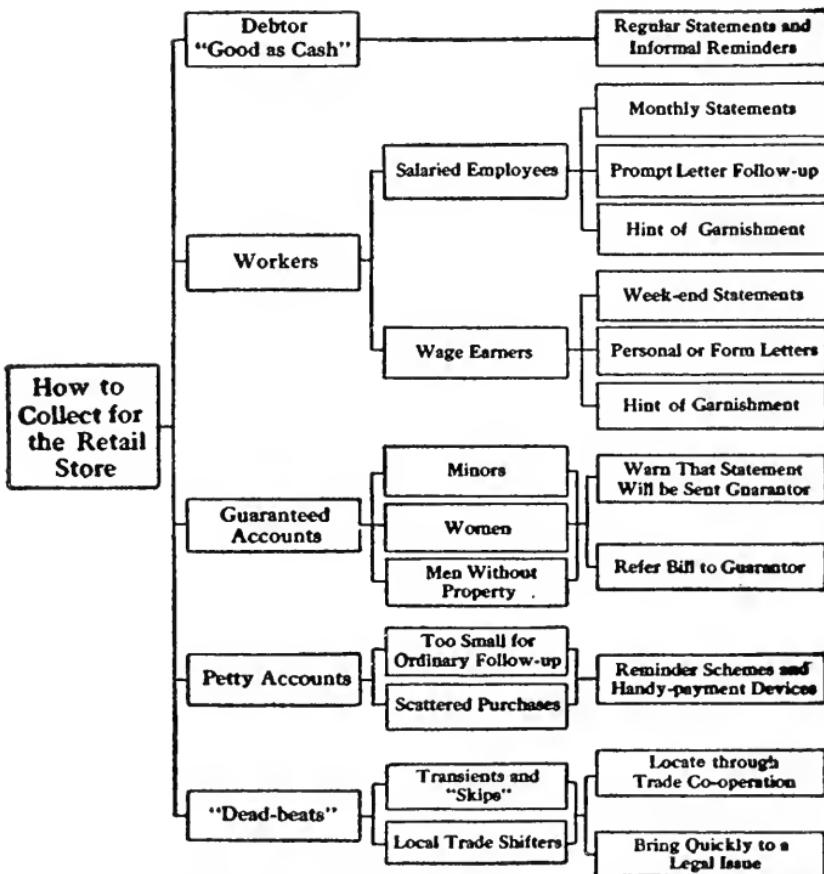


CHART VII: Your collection letter is like a good prescription. This chart will help you diagnose every case, so that you can make your letter contain the ingredients which will effect a settlement

they come due. Here is a letter whose success hinged on hinting that postponed payment would only bring more insistent appeals and showing a disadvantage in

allowing the account to remain outstanding any longer, it gets action.

*A letter that
"reads itself,"
sells satisfac-
tion and in-
spires action*

Yes; another bill.

—You are tired of getting them. It costs us money to send them.

—Let's save each other a lot of trouble. Mail that check for \$6.00 today.

You will be saved more bother; we will be saved time and postage.

Thank you.

To keep your debtors *paying* promptly, collect promptly. "Promptly" for a wage earner or a business worker on a low salary means a statement within one or two weeks of the due date of the bill. After two such statements have been sent, successful credit stores often complement the third statement with a short letter, which points out that the bill is overdue. The working man who has lost his job or who has had sickness in his family, must be dealt with as carefully as a "good as cash" patron. Here is a letter that gained a permanent customer and pulled regular payments on a bill that seemed hopeless:

*An offer of
credit exten-
sion in a case
where it would
have been ask-
ed for*

We were very sorry to hear of your recent misfortune. We are not going to push the collection of your bill of \$23.00, for we realize what an accident such as yours means.

We are granting you an extension of thirty days on your present bill. At that time we would appreciate a part payment, and can arrange some easy settlement of the balance. Call when you can and let us plan this with mutual fairness.

Wishing you an early recovery, we are,

After the debtor class whose pay comes to them every two weeks or oftener, is a second great division of your

debtors; those who own property or are well-employed, good for reasonable amounts and need only monthly statements and mild letters to rouse them to payment. Selling talk often strengthens the letter to such a debtor; to use one paragraph for advertising attractive lines softens the point for unbusinesslike readers, and makes sales.

A large group is made up of wealthy customers who must sometimes be disregarded for months before collection is attempted.

A large Chicago retailer collected from a delinquent Senator with this letter:

One carefully-phrased paragraph more effectual than showers of bills

Your account with us now amounts to \$175.00. We appreciate your extended patronage of our store. At this time we are trying to clean up all of our accounts preparatory to a bookkeeping change, and we would thank you very much to look up this bill. We do not wish you to take this letter as a dun, but only as a reminder, and we know that you will welcome it as much as we will your check for \$175.00.

When the big divisions have been made, and letters have been built that are aimed at representative debtors, special cases come up. The peculiarities of each individual case will suggest the way to apply the principles of collection—for instance, don't bother the man who has just changed positions, and is trying to catch up.

Finding the Paying Impulse in Special Debtor Classes That Make Trouble for the Retailer

Is there a pampered son of some wealthy family running a bill at your store as if the family purse strings had been untied for his special benefit? Send him a brief note saying that if he does not pay by a certain date, the collection routine will forward the bill to his

father. If the money doesn't come in, a letter like this will usually bring it:

A successful letter to the father of a spendthrift minor, after a warning had failed

Your son Charles has a considerable account with us. We have had several promises of payment from him but we have not yet received a check. This carelessness on his part is only natural—he has not realized the position in which he places himself. As the amount of his bill is now \$85.00, I have thought it wise to call your attention to his oversight. Will you not speak to him or advise us as to what we should do in the matter?

Have you an extravagant woman customer who is arousing your anxiety by her continued heavy buying on credit? The tone of this letter has been found effective in hastening payment and holding the trade:

How the sting is taken out of a reminder to women customers with flattery and selling talk

No doubt you had overlooked your little account with us, for we note that you made a large purchase yesterday. In fact you have gone quite beyond our usual credit limit. We are glad to have your trade and appreciate serving such a discriminating buyer. We feel, however, that you would now prefer to settle this account as soon as possible; so we are writing this, not as a request for payment, but merely as a reminder to you.

Our new Easter models have arrived and are attracting thousands of ladies to our millinery department. You will find something there, we are sure, which will delight your taste.

The same common-sense method applies to other classes. Trace the "skip" by means of merchants' associations in other towns, or by co-operation with other retailers. Bring him to time with direct threats of the law. Hint to the salaried slow payer that you may be forced to garnishee.

Classify; subdivide your three large groups; then study the paying impulses of every class.



CHAPTER V

How to Line up Instalment Accounts

DISCOURAGED buyers or "give-ups" were crippling the profits of a large furniture instalment house. Goods were ordered with the minimum payment down, kept until collection efforts were exhausted, and relinquished with a "hard-up" plea—after three months' usage.

The head correspondent traced the whole trouble to collection letters that *collected too well*. Though well-written and carefully mailed, they defeated their purpose. They laid stress on prompt payment; demanded, coaxed, threatened. They set debtors to thinking only of their obligations; and encouraged return of goods.

Re-selling letters lowered return losses and helped collections. Strong sales paragraphs made the delinquent want to keep his purchase. Purchases by others on similar wages stirred the debtor's pride. "Cash-up" offers were ruled out, because experience showed that a cash-up reputation made for delayed instalments. Special terms in the way of smaller instalments or more convenient intervals were proposed in the second or third letter of a form series, but with no reduction in total price.

A collection letter series planned on these lines turned the tide.

The "skip" who leaves with unpaid property overnight is a case not so much for the instalment collector as for the detective and the lawyer. The instalment "slow payer" is little different from the "slow payer" in retail trade. The "give-up," however, requires your best thought; diplomacy, keen selling ability, judgment in making terms—all of these are necessary. The "give-up" is within the law; he may or may not be dishonest. Don't coax or threaten, but *sell him*.

Here is a form letter that was successful with members of a kitchen cabinet club who got so far behind that they seemed prospects for the truck-router:

A sales-and-collection letter which forcibly described the inconvenience of giving up the purchase

Surely you do not mean to let your kitchen cabinet be forfeited after securing it at such a bargain and making two payments on it. Think what it means to you every day to be relieved of all the little baking day troubles which the Excelsior eliminates.

How annoying to go back to the old-fashioned flour sifters that allow lumps to form, and either clog or scatter flour all over your clean kitchen floor. What would you do without the grooved cutting board that is an exclusive feature of the Excelsior?

Don't you like to keep your teas, coffees and spices in spick-and-span labeled canisters handy to your work table?

These features alone are worth the price of the cabinet, when you remember how long it is going to last.

The amount now due (the last two payments) is only \$10. Send us this today, while you are thinking about it. Long after you have forgotten the monthly payments of \$5, you will think of the work your Excelsior saves you day after day.

A second letter offered reduced payments and extension of time, with renewed selling arguments which made the transaction seem a personal matter between

debtor and collector. This very generous and sympathetic treatment generally puts the goods in the stay sold class.

*How to Handle the Delinquent Who Disappears
Leaving Unpaid Bills*

An instalment house found that a debtor had moved away, taking with him the property on which several instalments were still unpaid. After the usual routine

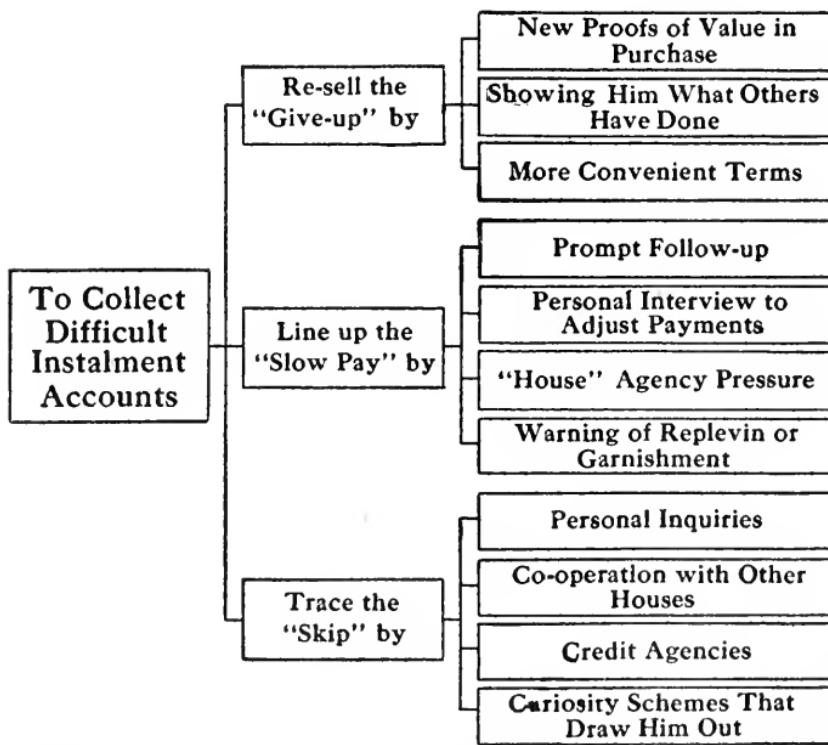


CHART VIII: The "give-up," "slow pay" and "skip" make the instalment collector lie awake nights. The chart shows some of the ways of handling these classes of debtors

of quiet investigation following "tips" from other creditors, a registered letter receipt located the debtor. As the instalment man well knew, however, this was only

the beginning of his problem. He saw no profit in the law-suit which seemed inevitable; he knew that only quick work could shock settlement out of the "skip."

Searching for a scheme emphatic enough to get instant attention, impressive enough to force respect and energetic enough to induce action, he found a printed paragraph of law decidedly effective.

The man who lags—who instalment by instalment loses ground—must be trained to promptness. Sometimes he over-buys—"his eyes are bigger than his pocket-book." An early instalment finds him without money. A second and third instalment pile up and he grows careless or hopeless. Sometimes he is avoiding payment as the more convenient plan—the incubator is to pay for itself—the collector's only resort is "to wait till pay-day."

Slow pay demands treatment at the first symptom—it grows worse every day it runs. Get on the trail quickly. Use every effort to keep customers from getting more than two instalments behind. Have the over-due accounts reported to you with exact promptness. Follow them immediately and often with ammunition held in reserve for the action—form paragraphs into which you can inject close personal appeals—form letters so closely adapted to the class and circumstances of the debtor that they seem intimately personal. At the first "feeler" which the debtor puts out in his plan of delay, teach him that you are on guard. If your first follow-up fails, find some plan to get into personal touch with the delinquent and if a satisfactory adjustment does not result, follow fast with agency pressure or better yet, with suggestions of legal action.

Often the disadvantages of piled-up bills furnishes

the theme for your letter. A first letter especially effective with women customers follows:

*Successful
with a woman
customer; a
“first” letter*

Two Instalments due!

No, we are not nervous.

But we know how much easier it is to clear up two instalments than to have three or four discouraging bills past due. In order to help you not to fall behind another payment—to make it easy for you and give you the satisfaction of knowing that you are paid up to date, we offer you this arrangement for immediate acceptance.

Mail the first past-due instalment tomorrow—pay the second with the third when it comes due next Wednesday. That will clear up things—we will look for your first remittance before February 9th.

One of the most effective instalment letters a successful city trade furniture dealer has developed is this:

*Effective with
a customer of
good intentions*

If convenient to you—can you drop in Tuesday, October 18th, to talk over your account? It is now considerably in arrears; two instalments—\$8.00, are due. You want us to know what is the matter, don't you?

The result of this letter was to arouse the curiosity of the debtor, at the same time making him somewhat uneasy. His response at once developed his attitude and suggested an adjustment or severe action.

The elements of the final collection notice are curtness, a definite action required, a definite date set and evidence that the account will be pushed. An effective “last letter” was worded thus:

*Applying
the “thumb
screw”*

Save court costs by calling at our stores before February 15th. in regard to your past due account of \$68.00.

As his advertisements say, the instalment man must grant “credit to all,” so that he may expect the maxi-

mum percentage of trouble-making debtors. In a sense, your instalment buyers take their cue from you. If you are too harsh, they are ready to surrender the merchandise and give up trying to pay. If you are slow or un-systematic, they fall into line behind you. If you acquire the reputation of letting "skips" get away, this will become a big source of loss to your house. Promptness, fairness, inevitable certainty in tracing men and enforcing payment, make instalment accounts line up and keep step.

Know Your Man

CREDIT men should draw an imaginary circle about each customer. The circle may be only a mile in circumference or it may be several hundred miles, but it represents the sphere of the customer's activities. Everything in that circle having any bearing on the customer's business should be recorded on the credit man's cards or in his brain. No limited range of information will suffice, for it is only by knowing all about a man that you can judge him accurately.



CHAPTER VI

Blocking out a Letter Campaign

BRINGING in the money without making enemies or losing trade—the aim in every collection problem—depends upon the tactful persistency with which you keep to your debtor's trail. Results hinge on the use of a letter series adjustable to the conditions surrounding every individual debtor.

By adopting a system of clock-work precision to lure in the dollars due, you rid yourself of many minor details. Work out two points: (1) a close organization of the collection department, and (2) a comprehensive letter series for delinquents.

Within the department, the system hinges upon a clean-cut policy towards outstanding accounts, and an automatic system of follow-up which will keep the debt uppermost in the delinquent's mind.

Fix upon the matter of terms for customers; then, whatever your choice may be, carry your terms prominently on sales slips, bill heads, invoices and statements. In fact, all of the credit department's notes and papers should show the sales term, so that there can be no possibility of misunderstanding.

The second step of organization within the house is

promptness in handling accounts when due. The general rule is to submit a bill or invoice with goods, follow with a statement on the first of the month—or a stated period after date of invoice—and with a first letter in from ten to twenty days. See to it that delinquent bills appear on your desk at regular intervals. Determine the time between letters by the distance of your customer from the office, the possibilities of delay in the mail, and your classification of the prospect. If you assume a lenient attitude towards a customer, the reminder may be withheld longer than where prompt compliance with terms of sale is insisted upon. A fifteen-day interval, as a general rule, has been found satisfactory. But be prepared to make any variation from the automatic routine dictated by good judgment.

*How to Make Your Letter Series Carry the Details
of Your Campaign*

When you have your house organization complete, work out a letter series planned and tested not only for the strength and length of the letters, but especially for their flexibility. Write each letter so that a reply will allow a change to a secondary series, a form paragraph book or a specially dictated letter. Look ahead and if the answer to your first frequently hints dissatisfaction with the goods, have a stock letter to dispose of the objection, or turn to a "paragraph book" in which you have indexed strong paragraphs written to fit various situations. Instead of dictating a letter, write on the bottom of the debtor's letter the numbers of the paragraphs which fit his case. If a secondary series or a paragraph book is impractical, dictate a special letter in reply to any regular letter and after the proper interval

has elapse, been allowed to resume the letter series.

In this way a number of stock letters are often drawn

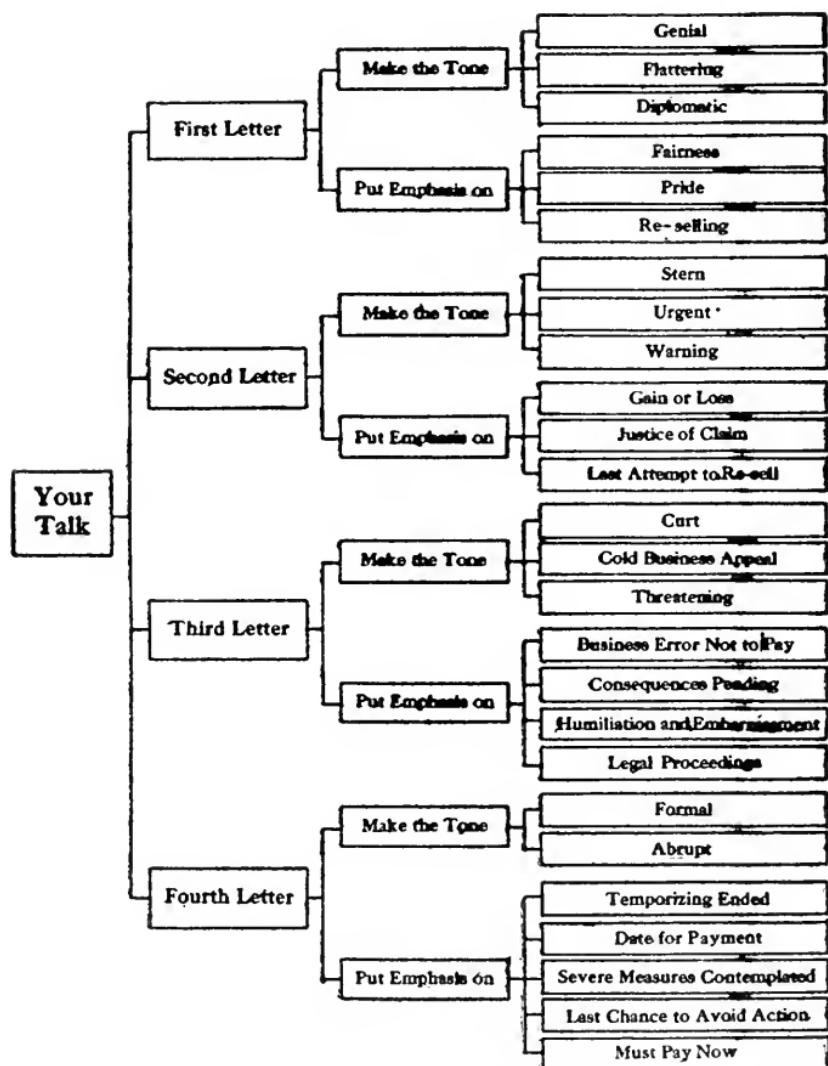


CHART IX: Four letters will collect the ordinary commercial account, but the series must be progressive. Tone and emphasis must grade naturally from mildness to severity. The chart outlines the form of letters in a test campaign

up, and the collector can branch off from the regular series at any point. Thus, there is a letter which thanks

the customer for a remittance, another which acknowledges payment on account but urges a further settlement and others for answering stock objections and excuses.

It must be borne clearly in mind, however, that form letters used too extensively are apt to take the personal tone out of the collector's work and thereby reduce re-

*First letter
of a success-
ful series*

Dear Sir:

I enclose a memorandum of your account, which is now several weeks past due. Probably the fact that the amount is so small has made you overlook it.

As these small accounts are incurred for the benefit of our patrons and do not permit expense in the way of collecting, I am writing to you personally. Please make out a check for this sum and send it to me immediately.

Don't bother about writing I understand how these oversights occur. Just pin your check to this letter and mail it to me in the addressed envelope enclosed. Thank you.

Yours very truly.,

A good natured reminder which keeps the "You and I" attitude throughout and which prods the debtor toward payment without arousing his resentment. Fair play talk which opens the letter continues to the last line. Payment is made easy by the third paragraph, which saves the delinquent the bother or humiliation of writing and which removes mechanical obstacles by supplying an addressed envelope.

sults. The best use of stock letters or paragraphs is "to flush the game." When the debtor has been driven from cover, personal letters fitted to his individual characteristics are in order.

Whether your letter campaign consists of letter forms to be copied by the stenographer at your direction, or a printed form letter, make your series progressive. Don't

unmask your heavy artillery in the first skirmish. Gradually increase the pressure on the delinquent. Four to seven letters, ranging in tone from mildness to severity, will do the work, and in the majority of cases four letters is sufficient.

*A second
letter for the
slow pay*

Dear Sir:

We wrote you several days ago requesting a remittance to cover your account.

Evidently the letter did not reach the proper person or department in your office as we have received neither remittance nor reply.

As this merchandise was shipped to you on the 5th of January and as it was distinctly understood that our terms were cash 30 days, we are at a loss to understand your attitude in this matter. Perhaps the goods have not arrived or having been received are unsatisfactory in some way. If so, let us know at once and the matter will be adjusted promptly.

At any rate, you, as a business man, will appreciate the fact that unless we have a sufficient reason for your actions, it will be impossible for us to permit your account to remain in this condition. Please explain why you have not made a payment as agreed or send us a check by return mail.

Yours very truly,

After sending statement and a letter mildly reminding the delinquent of his indebtedness, an Eastern specialty company uses this form for a second letter. While firm, the writer shows a willingness to be reasonable if non-payment is due to a fault of the house or to an unavoidable cause. The crisp snap of the final paragraph warns that the time for temporizing is past and that harsher methods are to be looked for.

This plan does not mean to thin the first letter in order to give force to the second or third. Every letter has its definite theme and tone. The first is merely a

remainder of an account overdue. The keynote is geniality. Here is an opening paragraph of a letter written by a Milwaukee haberdasher. He says:

"You have doubtless overlooked paying the inclosed account of \$43.27, now past due. We will appreciate it if you will let us have a prompt remittance."

The letter is warm and friendly without being wheedling. If the customer has some good reason for not paying the account, the way is open for him to say so. The possibility of offense is avoided by permitting the customer to assume that the writer considers non-payment due to an oversight.

Contrast the haberdasher's letter with the brutal directness of a Cleveland retailer who said:

"Your account is now overdue and we would like to have it settled promptly. Kindly remember that when we extended the privilege of a charge account, it was with the distinct understanding that your bills would be taken care of promptly when due."

This letter brought the money, but cost business. The customer who overlooked an account or had failed to pay because of a sufficient reason, paid up, but promptly transferred his account elsewhere. The "poor pay," moreover, was unshaken.

How Sales Paragraphs in the Collection Letter Coax Dollars from Unwilling Pocket Books

You can, with advantage, add sales talk to the first collection letter. In spite of his slight delinquency, your customer's business is still valuable; therefore, a short paragraph showing appreciation of the debtor's business or suggesting a special bargain, has value. This sales paragraph may point out buying values which have been

overlooked; testimonials from other customers may be inserted; your problem is one of advertising. Here is a sales paragraph used with good effect by a St. Paul clothier:

"Perhaps you have not re-opened your account with us because you have been putting off the selection of your fall suit and do not feel quite ready to buy. You will want, of course, to make your selection from our full stock of patterns and exclusive styles. Come in now, while our fall line is complete. You will be sure to find here just what you want, at prices that will suit you."

The idea behind sales talk--overcoming the diffidence of the man who owes and bringing him into the store--can be varied in scores of ways.

Routine replies to any "first" letter can be handled by the secondary system or, if the occasion demands, by a dictated letter. If these first attempts fail, turn back to the letter series.

Make your secondary letter decidedly urgent in tone. In most cases the account is still valuable to the house, however, and you will not care to risk offending a customer. Let your letter carry sales talk, but not to any length.

An opening for a good second letter now used by a large wholesale house runs like this:

"Although we wrote you ten days ago, informing you that your account was past due, we have not been favored with a remittance. It was agreed, as you know, that our terms were to be net cash, and as the account is getting quite old, we must ask you to settle it promptly."

A brief selling talk similar to that in the first letter follows. Others use the second letter to advance the jus-

tice of their claims. Frequently the action of slow pay customers is caused by delays or errors in shipment or other faults of the house. The wise correspondent uses the second letter to uncover and dispose of any dissatisfaction.

A third letter which gets action from bad pays

Dear Sir:

Your account is now 60 days overdue!

Don't you see that by treating us in this unjust and unbusinesslike manner, you are seriously injuring your own credit?

We are reluctant to think that you are willfully ignoring this account, disregarding our rights and your standing as a reputable business man, but we will be compelled to assume this attitude if you allow this letter to remain unanswered.

We would much prefer to believe that there has been some good reason for this condition of affairs; but if you give us no explanation we shall have to consider your silence as practically an invitation to take any action necessary to protect our interests.

Please remit immediately on receipt of this letter so that we will not be obliged to put this account in the hands of an attorney in your city, an action that will inevitably result in loss to you.

Very truly,

Third letter in a series written after statements and two milder letters have failed to get results. The first sentence startles the debtor to a realization of his delinquency. The second sentence carries a strong utility appeal which is reinforced in the third paragraph by an address to the reader's pride. The note closes with an unmistakable threat of drastic action.

faction. In most cases the second letter will bring in the money or at least develop a basis for settlement by individual correspondence. If it fails, turn again to your letter series.

Be curt in your third letter. Give your reader to understand that you have shown him a favor in extending the account so far as you have and end by telling him definitely that you insist upon payment being made upon a certain date. Point out the disadvantages which bill dodgers are certain to suffer. Hint that you are quite ready to take the case into court if you are forced to do so. Outline the resources you have for forcing payment, such as credit associations and business alliances with competitors.

*Final notice
to delin-
quents*

Dear Sir:

We have written you three times asking payment of your past due account of \$23.00. You have not only ignored all of our letters, but you have failed to give us any reason whatever for your delay in making payment.

Under these conditions we will not carry this account any longer for you and unless you pay it by the 15th of May we shall at once place it in our attorney's hands for immediate suit, without further notice to you.

Yours very truly,

This curt statement of fact is mailed bad pays after bills and the three earlier letters of the series have failed to secure a settlement. The letter is the collector's last shot. After it is mailed, lawyers or collection agencies are called in to carry out the promise made.

While in the earlier letters—the first particularly—you invite an excuse from the customer for not paying, the third letter assumes that no valid reason can exist for not living up to the terms of the sale. Write it in this way:

"We have written you twice previously, asking payment of your account of \$27.90, but you have not, as yet,

settled it, nor have you given us any reason for your failure to do so."

You can follow this opening paragraph by a hint of harsher methods to make your debtor pay. An effective phrasing for the second paragraph is this:

"Are you going to force us to take legal means to collect our little account? Surely not."

Continue by showing your customer the weakness of his position and the strength of yours. If you have reason to believe that this line of attack will not budge your man, intimate, but do not threaten, his ultimate humiliation. Let him contemplate the consequence pending. Close with a paragraph reading:

"We shall wait ten days before adopting extreme measures. In that time we sincerely trust that you may see how very much better it will be for both of us to dispose of this matter in friendly fashion."

If you are certain of your debtor's obstinacy, substitute for the foregoing paragraph a line like this:

"Spare us the necessity of suit by sending us a check right away."

Make the fourth letter of your series short and imperative in tone. In your preceding letters you have reminded and attempted to sell, jogged the memory of the delinquent a second time and attempted to spur him to action. As that method failed, the evident recourse left is the law.

Do not temporize, therefore, in the final letter. Open with a line recording how long the account has been ignored. Curtly state that you do not propose to carry it any longer and conclude with the plain fact that unless the account is paid within a stated number of days suit will be begun without further notice.

After the final letter, an attempt may be made to get in personal touch with the delinquent, either by salesman, by telephone, or by a personal call, with a view to ascertaining if there is a reasonable chance of avoiding suit. It is unwise, however, to re-open the case by correspondence after the letter has been sent, as it will lessen the force of previous efforts. You have worked up the pressure of your series and given your man a fair chance to arbitrate at every juncture; the emphasis must be maintained to the climax.

Credit is Essential

BUSINESS sense or business fear may be the prompting factor in collections. A merchant realizes that his future success depends entirely upon the credit favor which he can obtain at the houses from whom he wishes to buy goods.

This realization will cause him to establish the same relations with credit men as personal friendliness dictates.

The personal friendliness and sympathy of the collector will be found more successful than any number of hard and fast rules and written records, no matter how businesslike they may appear.

Part II

TESTED SCHEMES FOR SPECIAL CASES

Set Him Thinking

HOW to put *Bother, Resistance, Uncertainty* in the path of non-payment—how to convince your man that delay will prove disadvantageous—that the one simple and safe thing is to pay up—

There you have the problem of all the novel and clever appeals by which leading collection managers clear the way between the debtor and payment; put the favorable considerations on the side of promptness; crowd every disadvantage into the other side of the scales.

The plan that collects hard accounts must be like the scheme that pulls more sales. It must get under the debtor's skin—prove the friendly fairness of your position—make him smart under the unfairness of his delay.

Guard against the twists and angles of delayed payment. Allow no excuse, no chance to get out of sight, no ground for complaint.

Show your man his interest in promptness. Then find the scheme that flashes your appeal.

Get his attention. Make payment easy. Then hint what delay may bring—make evasion hard—*set him thinking*.

HOW TO PUT EXTRA PRESSURE ON OBSTINATE DEBTORS

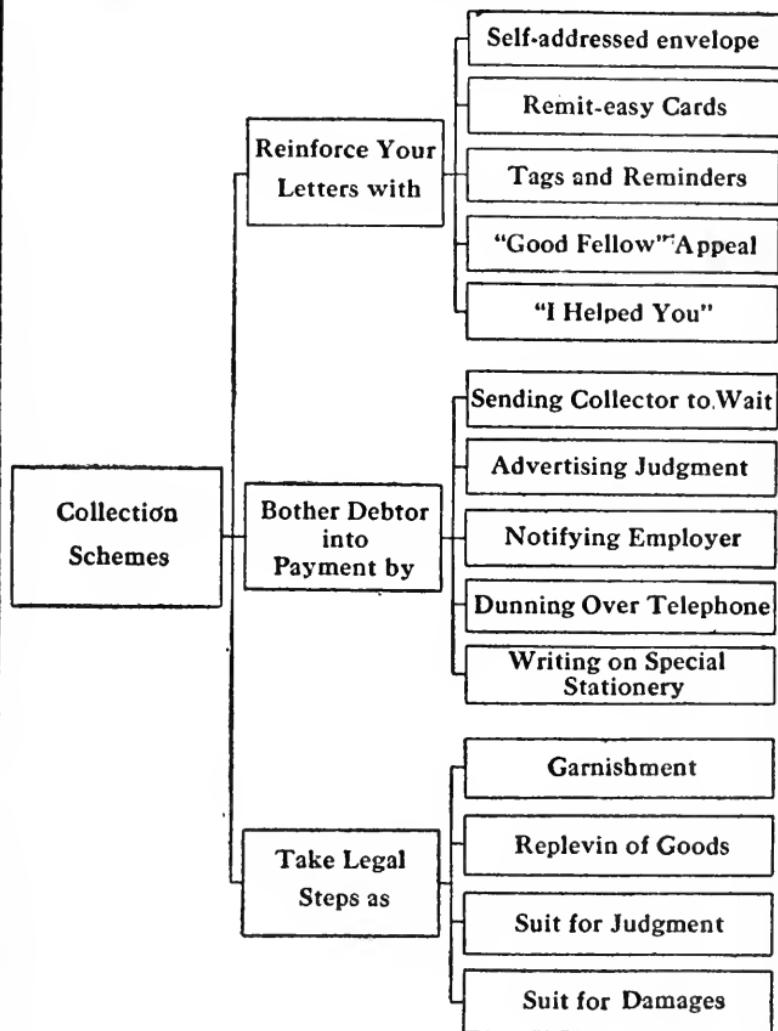


CHART X: There are few debtors on the average list who won't pay. Most of them are merely slow pay and you need only jog their memory. The chart suggests schemes which will startle them to action



CHAPTER VII

Effective Appeals to Debtors

PLANNING schemes which will jolt the safe but slow pay delinquent out of his self-complacent, "Oh, let him wait," makes the collection man lie awake nights. Pressure of the proper sort can be applied to the ordinary debtor with comparative ease, but the surly and sulky, the careless and indifferent must be approached in a novel way. They have to be started into dropping their dollars into the cash drawer of their creditors.

This is the class which requires all the ingenuity of the credit man and his collectors. Callous to the ordinary methods of approach, this sort of debtor can be handled only by an attack from an unexpected quarter.

The classification runs from the bride who confesses that she doesn't "know a thing about business" to the polished business man who by specious argument and clever talk has lured the credit man into planning unsafe terms for goods. The rule behind most schemes and levers for the collection of such accounts is to make the debtor feel the danger of his position. Make him see that the consequences you are rolling up will cost him more than the dollars are worth.

It may be necessary to wear him out—never let up,

but make payment his only exit from an embarrassing situation. Schemes effective on such a class have (1) the attention value of novelty; (2) the threatening value of uncertainty.

How a Two-Word Letter Opened Up the Pocket-books of Tardy Debtors

Two words forming the complete text of a letter make up the best collection scheme in use by a Chicago instrument house.

A correspondent had dictated a strong letter to a sulky debtor, opening with the words "*We positively.*" In transcribing her notes, the stenographer misspelled a word, and instead of erasing, jerked the sheet out of the machine. This note, being only the name, address and words, "*We positiv-*", a careless office boy mailed. The next day the debtor, who had ignored all other attempt to get in touch with him, mailed back the letter with a note of inquiry. The correspondence so started ended with payment in full.

The idea was successfully tried on other debtors, and is now a part of the collection system. It almost invariably induces the debtor to break silence. The complete letter as it now stands is typewritten on a house letterhead to identify the sender and consists of the ordinary salutation, followed by the words "*We positiv—*" There is no signature. A sense of uncertainty and insecurity is roused in the debtor's breast. The "*positiv—*" implies a strong threat of decisive action. The feeling of insecurity thus aroused makes some debtors answer; curiosity leads others to reply; others are delighted to rub in a few "*nasty*" remarks about slack office system. An apology for the "*mistake*" is

mailed in reply and forms the basis for future correspondence that in the end brings in the money.

A similar idea used in St. Louis consists of increasing the size of envelopes with each letter to a debtor. The ordinary size cover used on the first letter increases to an envelope nearly a foot square at the third attempt to collect. The last letter is as large as the postoffice will handle. Some debtors need only be impressed with the fact that collection has gone beyond the ordinary routine to make them pay. That is the reason why stationery with the "Credit Department" or "Legal Department" corner card moves some debtors to payment.

The collection proof debtor, wise to the tricks of the trade, is too wary to be snared by a curiosity appeal, but his business knowledge, gained by former encounters with creditors, can be used to his undoing. A Detroit house, advised by a debtor to "go ahead and sue. Court costs will amount to more than the bill," realized on the debtor's experience with legal complications. The correspondent assured him that suit would be begun on a certain date, and stated that according to his routine, when he secured judgment, it would be advertised and sold to the highest bidder. The certainty of business publicity made the delinquent beg off.

The publicity appeal, however, is a boomerang if not carefully handled. A collector had on his list the wife of the janitor of a fashionable apartment house. Failing to find her, he left a note stuck in the mail box, in the belief that she would return in a few minutes, read and destroy it. The note said: "*Mrs. Wilkins, do the people who employ you know that you have not paid for the clothes you are wearing?*"

Mrs. Wilkins did not return until after many of the

apartment tenants had seen the note attached over the mail box and, being unfamiliar with the names of their neighbors, believed it to be addressed to the fashionable holder of that particular apartment. Suit followed her discovery of the note and she obtained heavy damages for the humiliation she suffered.

Some collectors scold delinquents over a telephone. The curiosity of subscribers on a party line, especially in the rural districts, is so well established that the delinquent pays up rather than to have his affairs spread over the neighborhood. Some houses reinforce mail efforts by sending a uniformed collector, by instructing the collector to talk loudly, or by telling him to wait until the bill is paid. Only in extreme cases, however, where delinquency is flagrant, can such methods be reconciled with business sagacity.

A Seattle man calls up his debtors at an assigned minute every day. The victim—not to consider his work-mates—soon becomes aware that the telephone call at one minute past ten is from his persistent creditor, and still he cannot ignore the ring and possibly overlook an immediate communication from one who has secured the telephone a few seconds ahead of the collector. The debtor has some satisfaction in slamming the receiver onto the hook as soon as the speaker becomes known, but the steady persistence with which the telephone rings every day at the same minute suggests the payment way out.

*How the Collector Plays Detective and Ferrets Out
the New Stopping Place of the "Skip"*

Closely allied to the “won’t-pay” class, but generally lacking in cunning and shrewdness, is the “skip,” always

found on the delinquent list of houses which collect by mail. Distance makes him immune from ordinary schemes of collection. He has found that as a general rule it is cheaper to move than pay bills. Here cunning is matched with cunning.

When the mail man returns the collection letter marked "forwarding address unknown," the collection man's highest skill is called into play in tracing the bird that has flown. If he is wise, he is prepared for just such a condition and has a dozen ways of finding the missing person.

One collector gets an accurate line on all his customers by giving an accident insurance policy as a premium with the goods. The policy is cheap, as the liability is limited. But if the buyer "skips," he can be traced through the heirs and beneficiaries noted.

The registered mail will locate a missing man in a general way, as you can have the postoffice department require the person addressed to sign a receipt. This receipt returned to the sender locates the town in which the "skip" lives. Directories or personal agencies do the rest.

Another manner of tracing found acceptable is to get in touch with storekeepers near the former home of the debtor and offer a small prize for accurate information.

Some houses keep tab on the debtor's bank. If the buyer dodges payment by moving, a courteous letter to the bank generally brings the new address of the client. Some creditors trace by making up a fictitious letter-head and offering, under some excuse or other, to send the person addressed a free souvenir spoon. A reply fixes the debtor's address, and collection efforts are resumed.

Another house instructs its salesmen to inquire about children in the family when the goods are sold. The name of the school they attend is noted and if the parents move they may be found through the transfers given by the school authorities.

Every collection man has his own box of tricks to meet low cunning. The variations which he plays upon detective schemes, curiosity, embarrassment and persistency are without number. Analyzed, they all hark back to one principle. Debtors who refuse to pay are in the wrong and know it. Payment follows the use of a scheme which brings to a focus the elements of anxiety and uncertainty which lurk in their minds.

The Stitch in Time

CUSTOMERS go to an instalment man because they are offered long time credit—a concession they cannot get elsewhere. They are, therefore, under more than a mere obligation to pay—they are under emphasized obligation to respond promptly to any reasonable request of yours.

It is far more difficult to collect two instalments than one and the farther behind a customer falls the less profitable his purchase becomes to you. Early persistence is better than later sacrifices.



CHAPTER VIII

Enclosures That Reinforce Your Letter

PATRONS of a depot news stand in a New York suburb had the habit of grabbing a magazine in a rush for a train and calling instructions to charge it over their shoulders as they hurried to the cars. The news stand man found the little items of a few cents to one or two dollars a month were sometimes almost impossible to collect at a profit.

Customers forgot their indebtedness on account of the extremely small amount due, but the monthly items when totaled made a difference between profit and loss. He disliked to dun a man for a few cents and yet it was just this sort of account which was getting him into serious difficulty. Money rolled in when he hit upon a plan of substituting aluminum checks for regular statements. The metal blanks read: "Wayne Wagner, Stationer. You owe me."

These coins, about the size of a quarter, were mailed in coin cards which carried a good natured suggestion of the difficulty of collecting small accounts and asked the customer to place the check in his pocket-book or change pocket as a reminder. The scheme was successful. Man after man turned back his check and the

amount due with a happy comment on the dealer's plan.

Wagner, confronting a situation which retailer and manufacturer, professional man and service company, all encounter, pieced it to pieces and by his analysis found the reason for non-payment. "Every one of these men intends to pay me," he thought. "Every one has at any moment money needed to pay, but hardly a man would not resent my most tactful public request for payment. The only way to get the money is to provide them with a shrewd and silent reminder."

In a similar way, analyze the problems of collection which baffle you. Is your problem that of the stationer? Vary his scheme to fit your needs. Send the debtor a duplicate sales slip or provide him with an easy-to-carry reminder which will keep the bill uppermost in his mind. Must you remove an obstacle in the debtor's way? Send a self-addressed envelope. Offer to accept the risk of currency sent through the mails. Make payment easy by furnishing him the convenience that would good-naturedly spur you.

A Prize Essay Contest Which Drew the Net Around Slow Pay Customers

A Kansas storekeeper cleaned up his bad accounts by a subtle threat of notoriety. Driven to close financing by his bulk of slow pay accounts, he startled the populace in his town of 2,000 with an advertisement. In it he pointed out the effects of the loose credit system which he had adopted. He announced his purpose of making a change and offered cash prizes for the best essay of two hundred words on "How to Collect Slow Accounts." He printed the best essay in the newspaper and had facsimile clippings struck off. A lurid head-

line on the clipping attracted attention when enclosed in a collection letter and debtors crowded into the store. They feared that he might actually adopt the suggestion carried in the prize-winning essay, that of publishing the names of the people who owed him.

Nobody was hurt, no one was angered by importunities for money. The dealer studied his case and found a remedy for it. He made possible gossip a potent collection assistant.

The good collector is a quick thinker and stands ready to turn slight incidents to his advantage. A New Orleans correspondent of this class found the way out in an interview with his employer.

*Persuasion That Wins the Debtor's Co-operation
and Lines Up One Entire Class of Accounts*

"We're spending entirely too much time on these little accounts," growled the chief, when the collection man answered his summons. "I'm going to make an example of some of these fellows and see if we can't get our money when we want it instead of waiting until they are ready to pay. Read this."

The letter handed the collector was addressed to the delinquent's employer. It briefly outlined a history of the case, showed that the debt had been regularly contracted and continued with the story of collection attempts, quoting excuses made by the debtor. The letter concluded with a request that the employer "use his influence" to make his employee pay.

"Let me take that letter. I'll get the money without sending it," and after an argument, the collector got his employer's consent. He had the letter copied and enclosed it to the delinquent with one of his own in

which he related the circumstances by which he got it. Following paragraphs warned the debtor, pointed out the effect of the letter on the employer and suggested immediate payment. "*I've done my best to help you and I'll be in bad if you don't help me,*" was the way the collector's letter ended. By return mail, came a check in full and a letter thanking the collector for his good offices.

While other ways of offering help to a debtor suggest themselves, some collectors reverse the proceedings and offer the debtor a chance to help them. One collector encloses an interdepartment note which, signed by the president, carries a "call-down" for lax collection methods. The correspondent in forwarding the note writes that he has to his loss been lenient with the debtor and concludes by asking the debtor to help him. Proof of the collector's dilemma is in the debtor's hands and it has an effective pull on the good-fellow class.

Selling talk, suggested for the first collection letters, can be strengthened by the addition of a sales circular of proved pulling power. One house which has made effective use of this plan encloses circulars in all "first" collection letters. The reader, eager to secure the new article, proves his good faith in ordering by paying up his indebtedness.

Novelty is the magnetic force in any collection scheme or inclosure. Don't use the stale and transparent device. Get the idea—build upon it for yourself. All of the schemes outlined are susceptible to change by the collection man. They merely need some twist or turn or presentation from a new angle to lend freshness to your methods. Follow the principle of business analysis and fit the idea to the man.



CHAPTER IX

Details to Watch and Errors to Avoid

PUTTING a premium on procrastination, that's what we've been doing," said the president of a specialty house to his collection manager. "We've been offering discounts and inducements to the settlement of bad accounts until our debtors sit back and wait for the 'cash-up' offer that suits them.

"And we're going to stop it. Now. Hereafter our favors are going to the people who pay their debts when due."

The new policy was followed to the letter, and tests showed its wisdom. More money was received by demanding payment on a business basis than was received under the cash-up system. Debtors, knowing the house policy, had deliberately deferred paying and awaited the payment in full offer that suited them. When letters showed that the house would go no farther in its cash-up offers, they sent in their money.

Inducements were the short end of the expense and loss involved. The offer caught only the cream of the trade—the men who would have paid anyhow. Delay in bringing in accounts, extra stamps, stationery, clerk hire and bookkeeping all combined to run up collection costs.

The new plan—that of sending clean-cut collection letters which wound up with notice of suit—shortened the time of collection and won over debtors who had tossed the cash-up offers into the waste basket.

Though condemned by a majority of collection men, the cash-up scheme of bringing in money is still used. The unthinking collector fails to realize that he is training the debtor in delinquency. By rewarding the slow pay man, he takes away the incentive to prompt payment. He not only rolls up obstacles for other business men, but he destroys chances of prompt payment in other business bargains with his debtors.

If it is advisable from the nature of your business to give discounts for cash, give all the customers a chance at the savings. Show the list of premiums or discounts on your bill of sale so that the buyer knows in advance all the profits which lie in cashing up.

Getting Away from Blunders and Makeshifts Which Clog the Gears of the Collection Machine

Another time-honored scheme as ancient and as ineffectual as the cash-up is the sight draft which many collectors depend upon to force debtors into line. But a draft only irritates a customer, throws a week's extra routine between you and your next move, and destroys chances of a peaceful settlement.

Credit and collection men now unite in condemning the method. They use sight drafts only with some distinctive variation or when the method has been agreed upon in advance. Generally, sight drafts are attached by agreement to the bill of lading when partial payment of a big shipment is to be made on delivery.

A sight draft which has some effect, but which is los-

ing its efficiency through general use, is the credit association's form. This is the regular sight draft form with the association's name printed on it. If it is not paid on demand, the bank turns the draft over to the agency's attorney, who proceeds to collect.

You can raise your average of collection returns greatly by watching the little details which may seem at first to be inconsequential. Don't threaten a debtor with punishment in one letter and be contrite in the next. If your man forces you into threatening suit, sue on the date set. Your action will increase his respect for you and make your delinquents pay quicker thereafter.

Don't heap abuse on the head of the debtor. Abuse rolls off the back of the dead-beat, makes the honest man angry and may rouse a spirit of obstinacy which will further delay matters.

Organize, develop a method and system in your collection department, but don't blindly follow the rules you lay down. Make your schemes yield to judgment. Run your system; don't let it run you.

Don't request payment as a favor. In asking for your money, you are demanding your right. Make the debtor see it in that way.

Don't, by your lax methods, educate a customer into taking his own time for payment and blame him for the fault when you happen to need money. If your customers are slow pay, examine yourself. The chamees are that you are to blame for their delinquency.

Study the state and federal laws regarding libel and blackmail

Keep these laws in mind when collecting by telegram. Don't write a dun on a postal card or send a bill

under a one-cent stamp. You may run foul of post-office regulations.

Don't indicate on the envelope the contents of a collection letter. Be careful what you say to a debtor if your remarks go by mail. Consult the pamphlet of information issued by the postal service. Remember that the post office includes as unmailable matter, letters which are scurrilous, defamatory, threatening or dunning in character and obviously intended to reflect injuriously upon the character or conduct of another.

Know the Debtor's Mind

REMEMBER that most men *want* to pay their debts and do not consider any man dishonest until he has proved himself so.

Do not resort to threats of severity until conditions absolutely demand them.

The debtor who has been hardened and aggravated by the ordinary "give-me-my-money" letter will have a pleasant surprise if you first show him a personal understanding of his case.

Your cordial willingness to be reasonable will get your money while the man who flies to early threats waits for his.

Part III

WHEN AND HOW TO FORCE PAYMENT

Set the Pace

WHEN an account lags, put it back to your pace. When a debtor balks, make a test of him.

Find the trouble—get a settlement.

If it's your mistake, *get right*.

If your debtor only is at fault, find whether it's his cheat or his blunder.

When a debtor blunders, *help him pay*. You can get your money and his friendship by quick action.

When he cheats, *use the whip*.

Make him pay. Train him to come to time.

Look ahead. Make yourself familiar with collection law. Learn how far you can go—what help you can enlist—when and where the final steps to force collections and make examples of debtors are worth while.

Know the road. Hold the whip. *Then set the pace and train your debtors to keep it.*

HOW TO CROWD A DEBTOR INTO PAYMENT

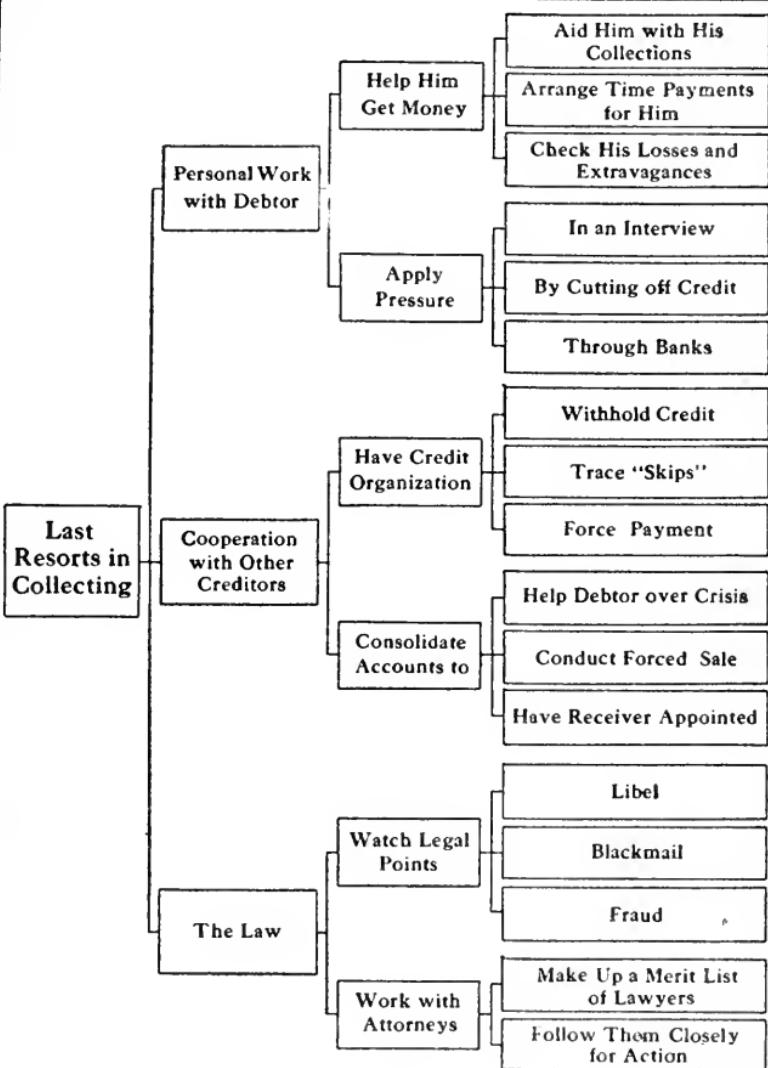


CHART XI: When your debtor stubbornly balks at payment and ordinary methods fail to move him try cooperation and the law. The chart indicates methods successfully used in bringing reluctant delinquents to time.



CHAPTER X

Personal Work That Saved Bad Accounts

HARLOW, a credit man for a wholesale house, saved his company a loss by accepting a note secured by apparently worthless timber land. A few years after the retailer failed, the property was sold for more than the face of the note.

Wilkins, seeing that one of his customers was on the rocks because of poor collection methods, went over the debtor's books and set out one of his own men to collect from the debtor's customers.

Wright, in talking over store affairs with a delinquent, discovered that the dealer was over-loaded with stock which could not be converted into cash by ordinary methods. Combining with other wholesalers, Wright sent a sales expert to the delinquent's town, closed out the stock on a narrow margin and got enough cash to pay all debts and leave the dealer with sufficient balance to begin over again.

Personal resourcefulness of these collectors brought in the money where routine methods would have failed. Collection work is to commerce what diplomacy is in international affairs. The aim of the collector and dip-

Iomat is to adjust tactfully without employing extreme measures. To resort to force is costly both in immediate expenditure and future loss, and the best collector puts compulsion far in the background, while keeping it in sight and within reach. It is at this point that the collection man proves his worth. His cleverness, his ingenuity and his varied forms of appeal or attack are what convert debts into dollars. Here he makes the personal equation count by adapting himself to the special conditions which confront him.

How Applied Personality Binds the Delinquent Customer to the Retail Store

Personal resourcefulness counts greatly in getting money from the prominent citizens with prestige but without cash. The dealer has to extend credit courtesies in accordance with the customer's place in the community, and yet such purchases must be kept as nearly as possible on a cash basis. Their accounts have been termed "influential but not good".

Your plan in dealing with these debtors must be individual. You may find a premium or discount scheme which makes cash trade fashionable and economical. You may circulate advertising matter showing cash purchase savings and selling that policy to your customers.

One marketman who changed from a credit to a cash basis retained his former trade by securing a cash deposit from his customers at the first of every month. Purchases made were charged against this deposit. The system did away with the greatest objection to cash trade, that of having to keep money on hand to pay the grocery boy. Often an exchange can be arranged, so that the dealer handles art work, needle work, fruits,

truck or preserves for the customer and thus keeps the balance of trade favorable.

A New York store owner writes a personal letter to the doubtful retail customer and asks him to call. The little talk on credit which takes place during the interview influences the debtor to pay up. Frequently the story told by the customer exposes bad blunders in your system and selling methods. By bringing these to the head of the store and having them corrected you can often hold the complaining customer and prevent other symptoms of loss which appear first on the charge pages of the ledger.

Warner, a retail merchant, found his worst trouble in holding customers who had been extended credit. These, instead of continuing their trade and giving him the little cash they had, turned to a competitor because they were ashamed to face the man they owed. When a delinquent shows a tendency to break away, Warner calls him by telephone and asks him to come to the store. The customer cannot refuse, knowing himself to be under obligations, but when he comes in he is not dunned. Instead he is shown a nice line of goods just unpacked. He is told why the new stock is specially adapted to his use and is asked to make his choice while the lot is unbroken. Disconcerted by the new method of treatment and flattered, the customer sometimes buys and pays his old bill on the spot.

How to Get Into Personal Touch with the Delinquent and Bring Instalment Accounts Up to Date

This scheme of approaching a bad pay from an entirely unexpected angle is similar to the method adopted by the collector for an Omaha instalment house. Abuse

is the keynote of his rival's methods in collecting. Debtors are scolded and threatened. The Omaha man has developed a system of face-to-face collections and made it win.

His men call on a bad pay debtor and endeavor to encourage him, instead of devitalizing his efforts by condemning him for passing bills. The delinquent's confidence returns as he sees that men of less ability and earning power than his are crying and praying for similar comforts.

As a result of the talk, the delinquent generally makes an offer of payment. He either over-estimates or under-estimates what he can do. In the first case, he is cut down. "We don't want to rob you," is the tone of the collector's talk. If he under-estimates, the collector confidentially informs him that the house is about to begin strenuous collection methods and that it would be well to get under shelter before the storm breaks. One or the other point—raising or lowering the man's proposition—seldom fails to win.

If you are an instalment collector like Parker, a retail man like Warner, or a wholesale man of the Wright stamp, do as they did—turn from the time-worn trail, find a new way. Try for human interest. Sound the situation by letter or agent. Send your bank or credit or attorney service to investigate. Better yet, as a last resort, get on the ground yourself and use your judgment. Consider a new basis of payment—plan co-operation—make an exchange bargain—look for salvage. Apply your latent personal resourcefulness to solve the individual difficulty and bring the money in.



CHAPTER XI

How Far Can I Legally Push Collections?

ROUSED by a debtor's pert insolence, a St. Paul collector wrote the man's guarantor a sympathetic account of his behavior and added a blustering opinion of his conduct. The delinquent got hold of the letter. His lawyer brought the collector into court on charges of libel and blackmail, and the firm was glad to send a receipt in full to avoid further trouble.

The correspondent who wrote the letter had always understood blackmail as the extortion of money for the promise of silence about a disgraceful secret. Libel he considered to be false statements which injured the reputation of a man. But he found blackmail to be "extortion by intimidation; especially extortion of money by threats or accusation." Libel, he learned, is "any statement published without just cause or excuse, expressed either in print or in writing, tending to expose another to public hatred, contempt or ridicule." The fact that his remarks about his debtor were true, or that he believed them to be true, did not alter the case. He had committed libel and could have been punished severely had the case not been settled out of court. The lesson,

though a hard one, made him careful of the points of law which infringe on collection problems.

Libel and blackmail, however, are not the only pitfalls for the unwary. Fraud is a trap for the careless correspondent. Apparently unimportant points in the wording of a contract may get him into trouble. To be safe, the experienced correspondent keeps exactly posted on Postoffice Rulings, Interstate Laws and State Statutes.

Little Points of Postoffice Ruling that the Correspondent May Unwittingly Violate

The postal laws have been enacted to prevent the use of the mails as an instrument of fraud, to protect citizens in their right of reputation and of property, and to secure generally a higher standard of morality. The question which puzzles the average correspondent is what language or style of display the courts consider as falling within the condemnation of the statutes.

Where a creditor wrote on a post card, "*I can see very plainly that you do not intend to pay any attention to my letters or your agreements. I propose to get the balance due on that claim. I shall wait no longer, but will see what can be done.*" the court held that the writer intended to reflect on the character of the debtor. The words accusing the debtor of not paying any attention to his agreements were defamatory in nature, and the sender was liable to the postal law. In another case, the writer concluded a postal card message with these words: "*I will garnishee and foreclose, but I dislike to do this, if you will only be half white.*" Had the writer of the card omitted the last clause, he would have been free from the penalties of the law, for the court

intimated that a request to pay, accompanied by the statement that the creditor intended to foreclose, might not be of such a character as to render the postal unmailable; but the last sentence was clearly intended to reflect upon the character of the debtor, and the writing was illegal.

On the other hand, the following language which was written on a postal card was held not to be illegal: "*Why do I not hear from you? I see plainly I shall have to press this matter. I must hear from you by Wednesday night. I shall wait no longer.*" Obviously, the words used may relate to an account, but at the same time they may relate to something else. Moreover, the wording is such that the character of the receiver is not attacked and there is no publication of his delinquency to the world.

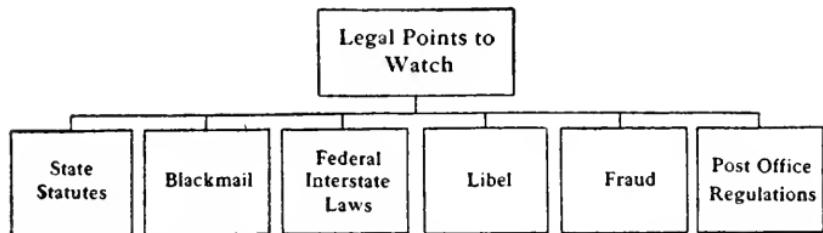


CHART XII: Before writing the collection letter be sure your case is defensible in law and be careful not to violate the courts' definition of libel, blackmail and fraud

The opinion of a famous New York lawyer on the postal laws is to this effect: That a simple request by postal card to pay is not illegal. The illegality occurs only when the language is libelous, scurrilous, defamatory or threatening, or when by its terms or style of display it is written to reflect injuriously upon the character or conduct of another. It follows, therefore, that an account may be rendered on a postal card. A simple

request for payment may be made, together with a statement of any conditions such as discount or time. Statements on cards, asking for payment on or before a certain day and indicating the discounts, if there be any, are proper, but it would be bad policy and of doubtful legality to accompany the statement with a threat that the account would be placed in the hands of an attorney or professional collector if not paid on a certain day.

Furthermore, any remark on an envelope which indicates the character of the letter and shows that the debtor is being pursued is as illegal as if the fact were stated on a postal card. The only difference is that the card accomplishes the purpose by actual written notice, whereas the envelope accomplishes the same purpose indirectly.

Common intelligence and a sense of business propriety usually prevent a collection correspondent from violating the law. The law, whether it originates in a state or a federal congress, is merely the state's method of enforcing what it considers common justice and a due regard for the rights of others.

*To Make Collections Certain, Instruct Salesmen and
Make Contracts Read Right*

Legal precautions in collecting are generally begun when contracts are drawn. Sales managers at this point clear the way for the collector by avoiding prospects immune in case of dispute. Such persons include government employees, who cannot be garnisheed. In some states the same distinction holds true of a state employee. Sailors and soldiers are sometimes refused goods on instalments, as the government will not aid collection efforts, and frequent discharges and transfers

make it hard to follow men in these services.

Houses which do interstate business clear away the dead wood in the credit department by keeping a digest of the collection laws of each state. They know when a man is immune to collection efforts or what creditors are preferred under state laws. In many states, dealers in food supplies have first rights in collecting. In other states, landlords' rights over the tenants are well established. Such information, when combined with notes regarding chattel mortgages and conditional sales, make the way of the collection man easier.

Other simple precautions which must be taken when drawing up a contract include saving clauses such as "goods remain the property of the seller until final payment is made," and "lapse of two payments makes all other payments immediately due." The latter clause protects the creditor who forced to sue to get a first payment for goods could otherwise be forced into court on each succeeding payment.

Salesmen sometimes misrepresent. The contract, therefore, should bear the statement that "no verbal agreements will be accepted by the company unless noted on the face of the contract." Very often the statement "this order is not subject to cancellation" is printed prominently on the contract.

While no contract of any importance should be drawn without the advice of a lawyer, the most successful selling contracts are worded in language so simple that it is easily understood by the laymen. Most men read a contract before signing it, and the ordinary man is far more ready to sign a simply written agreement than he is to put his name to a ponderous legal form which he scarcely understands.



CHAPTER XII

How Creditors Work Together

MERCHANTS of one hundred and twenty-eight Illinois cities and towns are organized to beat the professional bill dodger at his own game.

In each city a local credit association acts as a clearing house for information regarding bad debtors. As a result of information exchanged, the man who refuses to pay his bill in one store of a town finds it impossible to secure credit from another dealer. His record is known.

If he moves to another part of the state his situation is no easier, for the first question asked by a member of the association in getting facts on which to base credit is "Where did you live last?" The customer's record, forwarded from his former place of residence, immediately checks his attempt to live at the expense of others. The association thereby saves its members from loss and automatically locates the debtor for the benefit of his creditors.

The members of this organization have taken from the Illinois delinquent his most effective means of running up debts, which was to trade on a dealer's ignorance of his rival's affairs. The bad pay customer, after ex-

hausting his credit at Smith's grocery, has usually gone around the corner and repeated the trick at Jones's store. Jones, at the start, is delighted to get a customer from Smith, and each grins at the thought of his competitor's predicament. The customer has the last laugh. Lack of coöperation between retailers is the source of common trouble. When the fault is eliminated, profits begin to show.

Wholesalers coöperate through the use of the mercantile agencies to head off bad pay dealers. Large organizations also have salesmen, correspondents and systems of exchanging information which keep up credit standards. When the big companies are caught, they combine as a matter of course and put their accounts in the hand of one agent, appoint a receiver or conduct forced sales. Similarly, many houses have sufficient organization to secure an accurate line on the credit standing of the people they "trust". Mutual jealousies have made it difficult for retailers to develop along this line until the pressure of competition has driven home the elementary lesson that sticks easily broken one by one stand the strain when tied in a bundle.

How Small Retailers Combine to Keep Bad Pay Accounts Off the Books

A local association to furnish merchants with information similar to the wholesalers' commercial agency service can easily be organized. The dues required are low and are merely sufficient to maintain a secretary and office organization. Such associations investigate the exact responsibility of every one of the buying population of a town, and, when possible, coöperate with merchants in nearby towns in order to obtain informa-

tion concerning new residents. Every member pledges himself, on joining, to extend credit to no one on the delinquent account of the organization.

In one typical case the retailers of an Indiana town began war on sulky debtors by an announcement in the local newspapers outlining the scheme and accenting the benefits of giving credit only to people entitled to it. Editorials demonstrated that the man who defrauds a merchant compels the honest customers to make up the loss by payment of higher prices. The announcements and editorials, carefully worded to secure the sympathy and coöperation of the public, aroused sentiment in favor of the dealers.

Every merchant in the association reinforced the newspaper publicity by a circular letter which called the attention of delinquent customers to the new scheme. On the first of the month, the letter went on to say, every merchant had to furnish the association with a list of credit customers. The writer tactfully suggested that a payment of the balance due would put the customer's name on the approved list. Notices and letters got immediate results. Slow and doubtful accounts poured in without any of the hard feeling that generally follows dunning letters.

Then each member sent to the secretary the name of every credit customer on his books, good as well as bad. The sheets used (Form I) classified the buying public in five divisions. The merchant's number, known only to the secretary, identified the customer list from each store. Use of this secret "key" prevented any dealer from getting a surreptitious peek at a competitor's past due accounts and thus estimating his financial strength or the percentage of his losses from bad

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Central Merchants' Association

Write Plainly
 Always insert given name or initials. The address is important. The more information we get—the more we can give
Do It Now:

Rating Sheet

Read Carefully the Rating Sheet
 and do Your Rating Accordingly

(Use Both Sides of Sheet)

Rating Code				
1 Financially Good Prompt Pay				
2 Prompt—Pays According to Agreement, Regardless of Means				
3 Slow, but Safe to Credit				
4 Risky, Doubtful Responsibility				
5 Demand Cash				

Note: It is not Necessary to Sign Your Name to Sheets

Surnames	Given Name or Initials	See Above Code	Address	Give Street and Number	How Employed	Property Owner								
						1	2	3	4	5	Married	Singl[e	Widow	Widower
Adams	W. F.	✓	131 Forest Ave.	Haboner	✓									
Baker	T. A.	✓	111 Lake Ave.	Foreman	✓									
Benson	H. U.	✓	316 Utah St.	Rep. Condac	✓									
Butler	Mary	✓	488 Fifth St.			✓								\$13 20
Craig	H. G.	✓	228 Madison St.	Clerk	✓									
Groster	S. V.	/	621 Washington St.	Deputy Sheriff	✓									

FORM I: Each merchant enters the names of his credit customers and notes their rating on the association's rating sheets. Reports are identified by a secret code number

debts. This numbering eliminated all doubts which might otherwise have arisen as to the safety of submitting such information.

The dealers estimated the standing of customers by placing a check in one of the five numbered columns. The secretary transferred the information carried on the sheets to a customer's card index (Form II). As a rule, several merchants reported every buyer. These various ratings checked on each other and were all noted on the customer's card by merchant's number and column number. The secretary investigated any discrepancy in rating. The cards, filed alphabetically in a flexible horizontal file, readily permitted the insertion of newcomers' names. As a result, the secretary had up-to-the-minute credit information about everyone in his town.

The information contained on the credit cards is supplied to associated dealers on mimeographed sheets as follows:

Feinstein, Yetta, 323 Yesler Way	: : : : 3:	\$41.
Ferdinand, Oscar (Wid.), 232 Howard St.	: 1:4: :	
Fernald, L. T. (Martha), 716 Mich. Av.	1: : : :	
Frank, George, 321 State St.....	2:3: : :	

These are compiled by the secretary. The pages, filed in loose-leaf binders, are revised from time to time. Five columns at the right of the page correspond to the five ratings. The figures in any column show the number of the merchants who have reported a buyer in that town. By the book, a member may instantly discern the credit standing of anyone in town, and if the showing is unfavorable, he is required to withhold credit asked.

*Retailer's
final letter
to
delinquent*

Dear Sir:

As a member of the Oklahoma Retailers' Association, we desire to advise that on the day one week hence the record of your credit dealings with this firm, as evidenced by our ledger entries, will be given into the hands of the credit manager of this organization for entry on its credit files.

Our books show that you are indebted to us in the sum of \$48.00. Since this amount is past due we must ask that you call at once upon the writer hereof and arrange a settlement that is mutually satisfactory. We make this request in order that our estimate of yourself as a credit customer may go to our credit manager clear and clean.

In explanation permit us to say that it is not the purpose of this organization's members to work a hardship upon any of its patrons.

Being joined together, however, for working out problems of common interest to all retailers and for mutual benefit and protection as well, we desire in all deference to apprise you of the fact.

Trusting that the above may have your careful consideration and prompt attention, we remain

Yours respectfully,

Final letter to a delinquent debtor used by members of an Oklahoma association when other collection methods fail. As a rule, the debtor succumbs to the threat of lost credit standing, but if he does not pay up in ten days the account is turned over to the association for collection. The fact that all the members use the same form in dealing with delinquents impresses the debtor with the power of the organization. The printed letterhead has much to do with the effectiveness of the note. It carries the names of national and state officers of associations with which the local union is affiliated. Names of collection lawyers employed, names of prominent members and the line "equitable legislation, mutual protection against the dead beat, advertising grafters and catalog house" warn the bad pay that he confronts a stone wall.

In addition to providing credit information, a retailers' organization in the middle west collects "hopeless" accounts for members. Three form letters are used, and no other attempt is made to get money due. Credit information secured through these collection efforts is furnished members in the supplemental bulletins. The first letter is mailed by the merchant after all regular collecting schemes have failed. Failing to get a reply, he turns the account over to the association.

The secretary writes two form letters, and dispatches them ten days apart. The burden of their argument is the credit-killing power that lies in the association and the result of loss of credit. The letters generally secure an interview. If the bill is an unjust one, or if a just complaint is made by the customer, the matter is settled to the satisfaction of buyer and seller by the secretary.

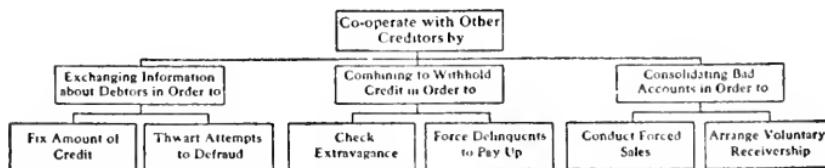


CHART XIII: Cooperation prevents bad debts and is a powerful lever in moving a delinquent to payment. It is the most useful tool of the collector and is the mainstay of the credit department

Whenever a debtor has forced a member of the association to submit a just bill for collection, the debtor's name is added to the following supplemental bulletin, mimeographed in the following style:

Wilson, M. M. (Single), 16 Sixth St.....\$12.00	CD**
Winslow, A. D. (Wid.), 230 Chicago Av....\$56.34	A****
Wisler, T. S. (Martha), 34 Elm St.....\$25.00	F*

This information, while accurate, is anonymous. The dealer who looks up a customer on the bulletin finds

Dear Sir:

We have had placed in our hands for Collection the account of Walts & Co. amounting to \$39.00.

Your failure to pay the same we presume has been caused more by neglect than from any intention not to pay or of keeping the money from the creditor. We have concluded to ask you to call within ten (10) days and arrange for some settlement.

We are sure you will appreciate the Association writing you and giving you this further opportunity for adjustment.

Yours truly,

P.S.-Our members are advised of the exact behavior of parties having accounts on file herein by means of our report which is issued to them monthly.

Dear Sir:

We have given you ample time and every opportunity to arrange for some adjustment of the account filed against you in this department in favor of Walts & Co. amounting to \$39.00, and as you have made no effort to do so we beg to advise you that we shall now resort to more definite action.

Our Collection Department keeps a record of the names of all persons who fail to adjust their accounts. This is published for the protection of other merchants in the city and keeps them from incurring similar indebtedness.

Any person who happens to appear upon our records in this manner will find it not only annoying, but very difficult to obtain credit to any extent, and such information will act as a cloud upon their reputation for honest and fair dealing with their creditors.

Yours truly,

Before turning accounts over to a retailers' association, the dealers in an Indiana town warn the debtor of their proposed action by means of a form letter supplied by the organization. If the warning fails, the secretary sends these letters ten days apart. He then hands the account to an attorney.

that a storekeeper of a certain class—indicated by key letter—has reported a customer. But he has no means of knowing who the informer is. Stars following a cus-

Frank, George

432 State Street.

66% 73% 2½ 46% 1½

FORM II: On this card the secretary enters the ratings given customers by each merchant with whom he has dealt. The merchant's code number appears in connection with his rating

tomer's name picture the collection efforts made. The code is: (*) account paid since last bulletin; (**) making irregular payments; (***) absolutely refuses to pay; (****) makes indefinite promises of settlement; (*****) difficult to locate, address wanted. The specimen bulletin shows that Wilson owes \$12, his creditors being a hardware man and a clothier, and that he is making irregular payments. Winslow, reported by a grocer, owes \$25 and is making indefinite promises. When a customer pays up, his name is retained on the bulletin. The merchant who looks him up may decide whether the past performance will be repeated.

This plan of fixing retail credit and making col-

lections has been adopted with success by associations in large cities as well as small. The system has been found satisfactory by professional men, especially doctors and dentists, who require specific credit information.

This plan of coöperation and organization enables the dealers of a town or state to cut down debts and increase the margin of profit. Good pay customers also reap a share of the benefits from this financial system.

Hence the plan wherever tried has proved popular with the public. Commercial clubs and chambers of commerce have made credit associations valuable departments. The good feeling and the fellowship engendered in the business community leads to better town spirit by bringing your men of affairs together on common ground.

Be Fair

THE successful collection man should have that most precious of all characteristics—human sympathy.

He must not as some believe be a born pessimist and skeptic.

In dealing with men he should be fair and meet them on this ground. He should make customers believe in the fairness and liberality of the house.



CHAPTER XIII

Handling Collections through an Attorney

WHEN the debtor remains obdurate and you hand the account to an attorney for collection, *don't stop there.* Remember that collecting is often the pot-boiling medium of the attorney's practice. It demands much work for a comparatively small fee and is liable to be side-tracked for more pressing duties. Dozens of reasons—business, political and social—may keep the lawyer from following your debtor with the severity you demand. To get the best results from accounts in the hands of the lawyer, keep a merit list of the local collectors and maintain a special follow-up system to keep your agents focused on their work.

A New York collection manager's method of handling accounts through out-of-town lawyers has reduced the cost of legal collections to an average of three per cent of the claim. He keeps a card list of attorneys, indexed by states and counties. Each division shows the name of one or more tried collection attorneys. Salesmen in their weekly rounds keep track of the lawyers in their territory and report any change, whether by partnership, death or removal. Frequently a score of changes

in the list are reported from these sources in a week.

In the New Yorker's system there is no groping in the dark when a lawyer is needed. Even in remote districts, where lawyers are seldom required, an account placed in legal hands gets action. The list carries the names of men who need business and consequently will make the most of it. Such men are amenable to suggestion and instruction; they work with the house, apply its collection policies and methods, and reduce friction between correspondents and themselves to a minimum.

A Minneapolis house goes a step further and closely keeps track of the work done by men entrusted with its accounts. When a bill is handed to an attorney, the order number in dispute is written on the back of the lawyer's card. When the account is settled the result is noted in the same way. In this way a tested list of attorneys is always on hand. When lawyers quit or are dismissed, a successor is chosen by his record.

When an out-of-town attorney is at work on a case his knowledge that the creditor is busy and wide-awake regarding the account keeps him on the jump. Regular follow-up is essential. Modify the card tickler to the purpose on hand. The following scheme has been found effective by a national collection agency and can be adapted to any business:

Cards 6 x 10 (Form III) are made up as a quadruple index. The top lines carry the tickler dates. Following lines carry names, description of account and space for condensed correspondence. The cards are filed alphabetically, according to client's names and lie flat in the drawer. A tickler divides the cards in each drawer so that they will automatically appear on the date wanted. Labels attached to the sides of the cards allow instant

reference to be made to attorneys or debtors. The lawyers have their names written in red ink and the debtors are distinguished by the use of black ink. A small

A	<i>5/6 - 5/16 - 5/26 - 6/5</i>	N
B		O
C	No. 1562	P
D	<i>L.R. Hughes Dealer</i>	Q
	<i>vs. C.M. Wright Debtor</i>	R
E	<i>Riverside, Ill.</i>	S
F	<i>Decatur, Ga.</i>	SPEN
G	<i>Description Bill of items</i>	T
F	<i>\$56.90</i>	U
G	<i>Sent to Atty. W. J. Spencer,</i>	V
H	<i>Decatur, Ga.</i>	W
I	<i>Corres. 4/3 Promise to pay - 5/6 asked ex-</i>	RIGTH
J	<i>tension - 5/6 to attorney - 5/16 asked attorney</i>	X
M	<i>6/13 plus for time 6/16 instructions to start suit 6/26 court costs forwarded 6/5 judgment entered.</i>	

FORM III: Instant reference to client, debtor and attorneys, is allowed by this correspondence card, which can be modified to fit the needs of any collector

company can adapt this system by filing cards according to salesmen's territories instead of clients' names.

How to Follow the Out-of-Town Collection Attorney with Best Results

Frequently complaint is made that attorneys rated high as collectors are lax in keeping a house informed of progress with the debtor. Very often, however, lack of report is due to legal delays. The lawyer handling the case expects the collection manager to know something

about the time needed for legal routine and is consequently irritated by letters asking information before any can be given. Consideration of the lawyer's duties in handling accounts will save time and anxiety for you

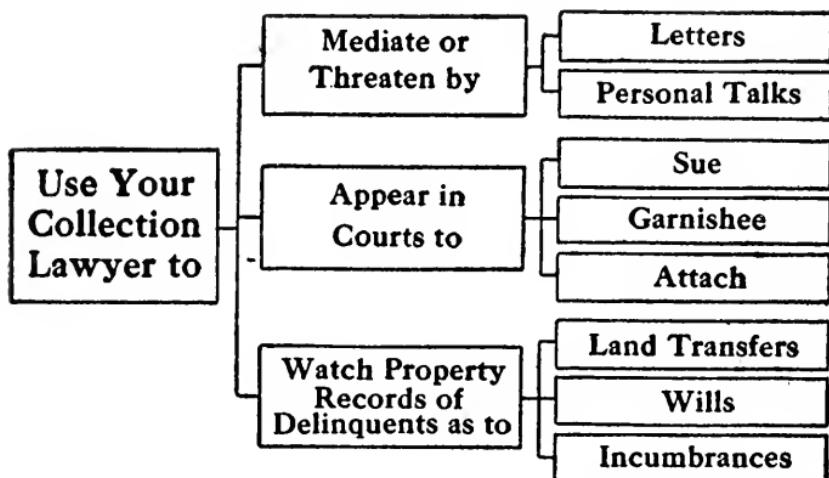


CHART XIV: Recognize that your attorney's position enables him to act as mediator or prosecutor. By watching public records, he often locates attachable assets, real and potential, hidden to the routine collection manager

and annoyance for your man of law. Each period of a suit is followed by a wait of from ten to twenty days and lawyers' letters meantime consist of a mere repetition of news which has gone before. Legal routine varies slightly in different states, but the account which your attorney has failed to settle out of court generally follows this final course:

1. The lawyer notifies the customer that a suit is to be started within a few days. He waits five to ten days for an answer and settlement, and then—
2. He files a precipe. This is a petition for a summons by the court and is accompanied by an affidavit as to the amount due. The clerk immediately issues a summons, which is a writ issued out of court, signed by the clerk, and commands a defendant to appear on a certain date. The lawyer takes the summons to the sheriff, who serves it.

3. Ten days generally elapse between the time the summons is issued and appearance day. At that time the defendant can get from five to ten days to file an affidavit of defense. This defense may be legal, such as an appeal to the statute of limitations or it may be a defense of fact, such as a denial.

4. On the day set for trial, the court hears the evidence and enters judgment according to the laws and facts.

5. If the judgment is in favor of the plaintiff, execution issues. This writ directed to the sheriff commands the debtor to pay judgment and costs to the bailiff and provides that if he wishes to file an exemption, he has ten days to do it. If he fails to do so, any of his possessions may be levied on and sold at public sale to satisfy the judgment. The sale has to be advertised for four weeks before the debt can be satisfied.

By listing the attorney's duties in this way, you can time your follow-up and thereby show an intelligent consideration of your man's work without lessening the pressure necessary to keep him up to the mark. Whether you select your attorney from lists made up from your experience or a bonded list compiled by some commercial agency, keep your man's interest keyed up to collection pitch by coöperation and helpful suggestions. Turn the energy formerly devoted to the debtor into channels that will help the lawyer. Follow him closely but sympathetically for action.

Part IV

HOW TO KEEP YOUR LISTS AND RECORDS

Keep Down the Burden

FALSE steps in selling, in credit extensions and in collecting are an extra burden on the collection balance. Successful collection is rooted far back in sound credit methods and honest salesmanship.

Find the straight line—keep down the weight—organize your credits and collections.

Sell satisfaction. Grade your credit risks.

Then line up to the dates you make with delinquents—teach the debtor that you keep your collection promises.

Make the man whose account is in your collection file feel that his card moves up a notch every day—that his name is on your desk pad at the proper date, for your personal follow-up.

Show him that your thought focuses on him every time his account becomes due. Train him to keep step. Make him measure himself by your accuracy.

Make him pay by the clock dial of your reminders.

Collect by plan and schedule. Don't add and carry losses. *Keep down the burden.*

HOW TO KEEP A CREDIT RECORD

		1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	LMT	
Name		Jones & Smith (Purit. Bldg. Wks.)		1/10-75-100 Case 500
Town		14 Main St., Phoenix	State	Business Spec.
D		0-4 L4 G3	B	Ledger Past Due
D	1/1 9/9	Net Worth	Moral	
1/10	Ability	first 3 m first-class	Record	fair clear
Exp. '07		'08 '09 '10		
B 2/2 4/0		5800-25	300-50 450-65 729-431	
A 1/2 3/8		acc. 1/7	Pd. 4/10 4/7 BR 560 ² 3/10 6/8 m to atty 1/9 Re direct 8/8 Pd. 45.60	
1/4 3/0			1/10 alld. 50 ² 5/10 CPS refused	
Bnk 1/2 3/1				
1/4 3/10				
R 1/2 4/0				

→(1) Dates of the receipt of special credit reports from commercial agencies, attorneys, banks and trade references. These reports clear up knotty problems for the credit man. The frequency with which reports have been asked on a customer is an indication of his integrity

→(2) History of account: \$700 order accepted January, 1907; Notes for \$560 running to Mch., 1910, received in Apr., '07 Series paid in full June, '10; some sent to attorney for collection June, '08, (note in red ink); Aug. '08 opened account of \$45.60 charged to bad debts, but collected later direct; Jan. '10, firm allowed debtor \$50 on claim considered unjust; May, '10, property statement asked and refused.

→(3) Houseledger experience showing total amount of business and highest credit limit with customer during '07, '08, '09 and '10.

→(4) Personal history of customer: morals, including customer's standing as to honesty, integrity, habits. Ability carries same classification. Business record shows facts as to bankruptcy and judgments or may be clear.

→(5) Ledger accounts past due. In Oct. '07, \$25 was past due; in 1908 notes were due in April, May and June. Open Account of \$45 past due in July and August, 1908.
→(6) Special memo oranda accepting extension of credit. Order for \$1000 accepted Dec '10 to be shipped May '11.

→(7) Spec for commercial agency reports. These show the successive ratings of the customer from the time he opened his account.

→(8) Name, address and business of customer

→(9) Tickler dates. Checked in pencil when the credit man desires to refer again to the card at a certain date

→(10) Credit limit: figures indicate that a limit of \$75 to \$100 was set Sept., '10. Accounts in arrears must be sent after thirty days to the general office for collection.

FORM IV: Records which permit the credit man to make accurate decisions cut down the percentage of bad debts. This card, used by a Chicago wholesale house, carries a succinct account in cipher of a customer's standing and trade history



CHAPTER XIV

How Credit Records Hold Down Bad Accounts

CREDIT and collection records will reduce bad debts to a minimum and keep bad pay orders off your books. While methods of keeping lists vary according to facts which require emphasis in any particular business, whether retail, professional, public utility, instalment or manufacturing and jobbing, the general principles underlying record keeping are the same. Make your files show in every case:

1. The business and social record of the prospect who applies for credit.
2. A condensed record of the customer's business relations with the house.

Your first file, in greater or less detail, outlines the customer's ability, responsibility, morals and social standing as judged by his neighbors, by banks, by commercial agencies, and as noted by personal observation or by your special investigators. The second record shows amount of sales, habits of payment, past credit records, apparent increase or decrease of customer's business, activity of competitors; in fact, all information on which the banker or credit man bases judgment in

passing on any application for a loan.

The retail storekeeper, as a general rule, knows his customers personally or depends upon his observation by neighbors and clerks to keep him posted on the charge buyer's affairs. Because accounts in the retail store are generally small, and because customers are as

KAYNOR BROS Fourth and Pearl Sts.
Ellensburg _____ 191_____
For value received and in consideration that KAYNOR BROS sell goods and merchandise upon credit to _____ of _____
County of _____ and State of _____
_____ do hereby guarantee to said KAYNOR BROS the payment, at maturity, of all bills of goods and merchandise so sold by them to the said _____ from time to time, on and after the date hereof, until written notice of the withdrawal of this guaranty has been served by _____ upon the said KAYNOR BROS
This guaranty is executed with the understanding that _____ liability shall at no time exceed _____ Dollars.

FORM V: This guaranty requested when the worth of an applicant for retail credit is in question, is as acceptable as a promissory note in protecting an account

a rule unacquainted with business ways, you will care to do very little direct questioning of the applicant. If your preliminary questions develop the fact that the prospect is a property owner, or otherwise ought to be able to pay, ask for three or four references—the best are names of other stores with which he deals—and let him go. In case you doubt the worth of the applicant, ask for a guarantor. The guarantor fills out a blank (Form V) which effectually protects the merchant.

Lay the greatest emphasis on the store record of your customer. Watching it will develop pertinent credit facts which you will need to know. The retail credit

man has learned to depend upon a record of goods bought and the method of payment as a final check in raising the credit limit or closing an account. Week by week figures trace the buyer's financial health.

*How the Instalment House Credit Man Fixes Upon
the Worth of a Prospective Customer*

Instalment men practically reverse the methods of the retailer in keeping credit records. Where the retail dealer takes people on trust and then watches their store

52,546	
NAME..... <i>W. J. Jackson</i>	LIMIT..... <i>\$50.</i>
RESIDENCE..... <i>912 Washington Ave.</i>	
Change of address..... <i>5831 Lake Ave.</i>	
Business..... <i>Clerk</i>	Account Opened..... <i>October 6, 1912.</i>
Business Address..... <i>17 Monroe St.</i>	Account Closed.....
	Real Estate..... <i>Lot 7 T. S. Maynard</i>
Reference..... <i>First Natl. Bank</i>	Remarks..... <i>Small salary, extravagant wife; watch him.</i>
..... <i>People's Store</i>	
..... <i>Oscar Church</i>	Terms..... <i>30 days</i>

FORM VI: As information regarding a credit customer gathers, it is filed in this envelope which carries on its face a condensed statement of its contents

transactions to get a measure of their worth, the instalment man makes a final estimate of a prospect before goods are delivered.

He deals largely with the improvident. He usually operates over wide areas. Unable to keep in personal touch with his people, he makes a searching first investi-

gation of character and worth of the applicant. Later the size of a regular customer's account and an increase of credit depends solely upon the record of payments. The collection man takes one plunge and learns all that he can from his experience.

FORM VIII: Prompt payments fix the credit of the instalment customer. This ledger card easily accessible tells its story to the credit man.

Lead the instalment house prospect to buy when he enters the store. Wait until after his order is taken before bringing up the question of credit. Then your salesman may put the questions printed on the back of the sales slip (Form VII). Before your customer gets the goods, rigidly check the references he gives and the statements he makes. Question neighbors and acquaintances and probe every possible avenue of knowledge.

When credit is decided on, make up an account card (Form VIII) for the customer. This gives you an absolute guide to your buyer and is all you need to consult when a re-order is made. Only the customer who pays his bills is good. If he does not show up as good pay, deny him further credit, unless the card shows that some

CONFIDENTIAL
Acquaintance Blank

Name in full (not initials)

Husband William SmithsonWife Eleanor Ford SmithsonPresent Address 5721 Cornell Ave.Has lived there Six years four monthsPrevious address 5921 East End AveLived there Seven years monthsWill move to noMarried or Single _____ Age (about) 42

(If single) Living at home or boarding _____

Where employed: Firm Record Publishing CoAddress 500 No State StWhat Position Superintendent How long 10 yearsFormer employer: Firm Capital PressAddress 303 Fourth AveRelatives: Name John Smithson (brother)Address 5621 Washington AveName Oscar Thompson (brother-in-law)Address 1449 E 66th StBought on Monthly Payments before? No

From whom: Firm _____

Address _____

References: Name Charles GordonAddress 760 Ruby St.Name Wayne WilliamsAddress 1460 HarvardNo. 78,686 Date Oct 6, 1912 Monthly _____Price \$ 275 1st Payment, \$ 75 Weekly \$ 10REMARKS Steady and conservative. Good salary.Reported and checked Oct 10th O.K.

extraordinary circumstances prevented him keeping the contract he signed.

Keeping Track of Dealer Accounts for the Manufacturer or Wholesaler

Records in the wholesale house combine all the features of the instalment and retail schemes. An application for credit requires a sweeping examination of the

STATEMENT			
DATED AT _____			
FIRM NAME _____			
ADDRESS _____			
PARTNERS' NAMES _____	MARRIED OR SINGLE _____		
AGE _____	M _____ F _____		
PRESENT THE FOLLOWING AS A TRUE STATEMENT OF _____ BUSINESS AFFAIRS AND WORTH AT THIS DATE FOR THE PURPOSE OF OBTAINING A LINE OF CREDIT FROM EDWARDS & SON			
STOCK ON HAND.	CHATTTEL MORTGAGE ON STOCK,		
NOTES AND ACCOUNTS (GOOD)	OWING ON STOCK, { DUE, _____ NOT DUE, _____		
CASH ON HAND.	BORROWED MONEY,		
REAL ESTATE, EXEMPT.	TO WHOM OWING,		
REAL ESTATE, NOT EXEMPT.	ENCUMBRANCE ON HOMESTEAD,		
OTHER PERSONAL PROPERTY.	ENCUMBRANCE ON OTHER REAL ESTATE,		
OTHER ASSETS	MORTGAGE ON OTHER PERSONAL PROPERTY,		
TOTAL ASSETS, _____	TOTAL LIABILITIES, _____		
NET WORTH, _____			
INSURANCE ON STOCK	INSURANCE ON OTHER PROPERTY		
HOW LONG IN BUSINESS	AMOUNT OF SALES FOR PAST YEAR		
BANK WITH,			
REFERENCES: (Be sure to mention names of wholesale houses who grant you credit)			
_____ _____ _____			
CERTIFY THAT THE ABOVE IS CORRECT, THAT THERE IS NO OTHER INDEBTEDNESS EXCEPT AS ABOVE STATED AND THAT			
WILL PROMPTLY NOTIFY SAID EDWARDS & SON OF ANY CHANGE IN _____ BUSINESS AFFAIRS AFFECTING ABOVE STATEMENT			
SIGNED _____			
SEAL			

FORM IX: By this statement of assets and liabilities, the wholesale credit man has definite facts upon which to base judgment

prospect's affairs, in which the credit man not only exhausts the possibilities of personal investigation, but turns to his many outside aids for help.

Make your applicant write a schedule of his assets and liabilities (Form IX) in as great detail as if he applied for a loan at a bank. Check this by reports from agencies, banks, lawyers and other sources developed in your business experience. After credit has been allowed, keep your record revised by additional reports from time to time and by a study of the customer's record within the house. This will show the possibility of expanding business. It will give a line on your competitors and act as a barometer of business conditions. It will determine the tone of your collection efforts in case your man falls into the bad pay class, and will, in other ways, help to eliminate guesswork in regard to credit business.

To allow the transaction of credit business with the deft sureness and mathematical certainty that prevents accumulation of bad debts requires the choice, record and study of significant facts. In the measure that you train yourself to choose vital facts and read them clearly will your records be brief and helpful.

LET your debtor know that a personal interest attaches to him—a real personal interest that is not measured wholly by his orders and his dollars. —*Daniel Louis Hanson*



CHAPTER XV

Making Collection Routine Automatic

PROMPTNESS—Accuracy—Regularity”—the three words printed on white cards, and occupying prominent places on the walls of the credit department, contain the essentials of the collection system of a St. Paul wholesale house.

The concern has little trouble with bad debts. Method, perfected after years of experimenting, has reduced collection routine to automatic system. Reminders and corrections for merely careless and stupid debtors are standardized and the time ordinarily spent upon them is devoted to handling accounts which are shaping towards serious losses. The credit man, relieved of detail, busies himself with schemes which will bring the department up to a point of greater all-around efficiency. The system rests on these principles of collection:

1. Automatic regularity in following delinquent debtors.
2. Close coöperation between bookkeeper, cashier and collector.

An invoice is first enclosed with the notice of shipment. On the first day of the following month, unless other terms of sale have been agreed to, a statement is

mailed. Thirty days later a second statement is sent out with the conventional "Past Due" stamp upon it. If the debtor is not heard from in fifteen days, the bookkeeper marks the ledger page with a red clip showing that the amount is in collection. He then fills out a card (Form X), with the name and address of debtor and a statement of the account, including any information which will assist the collector in obtaining settlement. The credit man on his part keeps the bookkeeper posted as to collection methods. A green marker on the ledger pages show that the debtor is in the bad pay class, while a black marker shows that the account is precarious and final efforts to secure payment are being made.

The collector in using the cards follows the debtor at regular intervals of fifteen days. A check mark in the blank space below the number at the top of the card shows when the second letter is to be written. The card is kept in a file numbered with the days of the month, and every morning the office-boy picks out the cards of the day and places them on the collection man's desk. As each collection letter goes forward a condensed statement of its contents is noted in the lines marked "in action" and the debtor's replies are "boiled down" in the same way.

Before the new system was adopted, debtors were angered at receiving duns after having paid. To avoid this error, a summary of the ledger account was placed on the card. The bookkeeper in making out the card shows in the top line the date and the balance due. When remittances are received, the cashier enters them on the credit column before turning money over to the bookkeeper. In this way collection efforts are instantly stopped on receipt of remittance.

FORM X: Correspondence cards give credit men all needed information about accounts in collection and save the necessity of referring to letter files

Copies of letters and replies are filed in an envelope (Form XI) for detailed study when desired. The top

STATE		3	5	7	9	11	13	15	17	19	21	23	25	27	29	31
TOWN																
NAME		SUCCESSOR									BRANCH		FILE			
		JAN	FEB	MAR	APR	MAY	JUNE	JUL	AUG	SEPT	OCT.	NOV	OEC			

FORM XI: Quick reference to correspondence is necessary in handling accounts
Envelopes with double ticklers save footsteps

line of tickler dates refers to the live files, and as long as dates are checked in the top row of squares the correspondence is kept in the office.

FOLIO	LIMIT	DATE	MONTH	AMOUNT
NAME				
RESIDENCE				
BUSINESS				
ADDRESS				
PHONE	LETTER	COLLECTOR	FORWARD	

FORM XII: Retail cards carry in addition to a statement of debts, three ways of showing an account in action

When an account becomes dead for any reason the filing clerk notes in the bottom row the date of removing correspondence to the dead files. Correspondence that has not been handled in one year is removed. Year

and month are noted in the proper square and manuscript is sent to storage, where it remains five years before being destroyed.

A retail man uses a similar system when making mail collections, except that in order to keep a tight rein on

KEEP THIS CARD		
Memorandum of Account		
Account No.	<u>7653</u>	
Total amount of Contract,	\$ <u>21 00</u>	
Amount paid,	\$ <u>2 00</u>	
Balance,	\$ <u>19 00</u>	
Due in Chicago the first		
day of each month,	\$ <u>3 00</u>	
Keep your record of payments here.		
Date paid	Amount paid	Balance
<u>Feby. 1</u>	<u>2 00</u>	<u>17 00</u>
<u>March 1</u>	<u>2 00</u>	<u>15 00</u>

FORM XIV: Cards sent to instalment mail order buyers are ready reminders and allow the buyer to check his payments and prevent disputes

delinquents, he sends a second statement on the 15th of the month succeeding date of sale. As telephone and street collector supplement mail efforts, the retail man

uses a tickler card (Form XII) which has columns showing the methods of collection efforts.

When the account is placed in the hands of a street collector, a special card is made out. This carries a statement of the account on its face. The reverse side is

As our low prices and easy payment plan depend upon regularity in collection methods, we have arranged for your convenience this Memorandum of Account card.

We believe that you would prefer NOT to be annoyed each month with even the simplest kind of a reminder regarding small payments of this kind.

It is therefore suggested that you keep this card in a place convenient for reference which will obviate the possibility of payment being overlooked when due.

You're very truly,

FORM XIV: The back of form XIII carries this notice of the instalment payment plan for brief reports by the collector. When the account is first placed in the collector's hands, he gets a white card. When the debt gets old, the white card is replaced by a red one as a signal to "go the limit."

Some instalment houses successfully use duplicate statements as collection records. These are filed in the tickler, to appear a few days before the date on which the debtor has agreed to pay. As a result, the debtor gets a gentle reminder at the time the bill is due. When he falls into the bad pay class the triplicate statements, which are made up similar to the wholesale card, are filed in a special drawer and the collector proceeds by mail according to the system used by wholesale houses. When debtors can be reached by street men or telephone, the system adopted by retail stores is used.

The purpose of routine collecting is in its last analysis that of keeping a steady hand on delinquents. Like the horseman who keeps a constant, friendly grip on the reins, the creditor must exert an even, firm pressure on

the delinquent. An experienced driver allows the colt to prance a bit when in the driver's judgment it is necessary, but he never uses the whip unless the animal is inclined to be mean.

So treat the delinquent debtor. Humor him often, but never allow him to go back. Arrange your system to hold him constantly to your purpose—paying up. Save your personality to manage hard prospects and untie the hard knots of collection.

Drop the Inefficient Debtor

CONSIDERABLE proportions of profit in nearly every business are lost to parasites of the commercial world whose finances are rated as "No good", who from sheer inefficiency, lack of judgment and "push" not only inflict serious losses upon those with whom they deal, but seemingly get no advantage out of it for themselves.

This sort of a bad debt should be placed in the hands of a collection agency and is the sort that the creditor is pretty sure is worthless.

Part V

CUTTING COLLECTION COSTS

Test and Temper

CHCKS brought in by your third or fourth letter cost three or four fold collection expense—plus the interest on capital rightfully yours but unavailable when due.

Accounts followed to last resort—even when collected—pull down the average. Finally comes a point where cost overshadows returns.

It's the collection steps before the successful one that knock off your charge account profits.

Test those steps.

Temper your collection tools to their tasks.

Find the best letter—the shrewdest paragraph—the cleverest device—the best follow-up.

Play your best cards first. Cut down the follow-up lists.

Keep discontented; keep trying; watch for something new—more intimate—more personal and far-reaching—more profitable.

Perfect your collection schemes and crowd down the cost.

Test and temper.

SCORING THE EFFECTIVENESS OF YOUR COLLECTION LETTER

Letters	February			March			April			May		
	Mailed	Received	Amt	Mailed	Received	Amt	Mailed	Received	Amt	Mailed	Received	Amt
Bill	542	369	1225.05	410	317	939.66	363	153	604.05	129	82	317.80
C ₁	930	437	994.35	577	389	951.62	649	270	576.70	484	208	591.75
C ₂	429	77	206.10	509	133	385.20	431	69	188.00	344	43	130.00
C ₃	279	34	119.40	298	64	259.18	301	48	156.00	265	63	189.60
C ₄	188	10	26.80	229	24	105.15	151	20	68.25	185	23	71.80
C ₅				174	8	33.00	123	7	14.00	122	12	37.00
C ₆	4			127	5	37.00	79	5	16.00	101	8	34.50
Sucy							47	3	8.50	81	2	6.00
Atty ₁	22			9	1	4.00	122	2	10.00	56	3	22.00
Atty ₂	7			6			85	2	8.00	72	4	12.00
N ₁	14	8	452.00	11	5	381.00	16	12	516.00	6	4	241.50
N ₂	7	4	201.35	6	3	188.00	9	8	421.00	3	6	950.00
I ₁	21	18					17	14		6	8	

FORM XV: Records of collection correspondence show weaknesses and strength and suggest changes. In this specimen test sheet the letter keys are (C) for open accounts, (N) for note accounts and (I) for debtors whose insurance policies have lapsed



CHAPTER XVI

Economies That Increase Profits

HARD-HITTING collection paragraphs, according to the system of a Philadelphia correspondent, are not lost after their first use. By keeping copies, numbering them and having the typist make up routine letters from the assortment of best paragraphs, the correspondent has cut costs within his department one-third.

The correspondence book relieves him of a mass of details. Routine details no longer require him to dictate a complete letter or to shrug off the responsibility with an ineffective blanket form. On the debtor's card or note the collector jots a few figures as 9-17-24-33. The letter which the typist makes up by copying the paragraphs thus referred to settle a claim, discourages a "give-up" or gets action on a questionable account in a collector's personal style.

Not only is this system easy to establish and easy to maintain, but it is one of the most important ways to save money within a collection department. The letter book permits changes within the department, the place to be in when throwing the brakes on the cost machine. Expert credit men have found equally effective means to economize in the limitation of credits and in knowing

when to stop—in fixing a policy with regard to how far a claim is to be pushed.

*How to Organize a Paragraph Book System for
Your Collection Department*

A correspondence book requires a few hours for its preparation and several weeks' practice on the part of the user. The process is simple, however, and well worth while. One credit man made up his book by going over old collection letter files, picking out the most forcible paragraphs, revising and classifying them. Another correspondent had an extra copy made of all collection letters for three months. At the end of that period he had his stenographer cut the paragraphs apart and arrange them by subjects; going over these personally, he discarded a large number, chose the best and worked over the phrases to insure clearness and "you" interest.

In each case, the mass of paragraphs was then pasted into a folio book and under titles such as "Opening," "Close," "Complaints," "Claims" and other subjects which would fit the stock arguments daily advanced by debtors to postpone payment. Each paragraph was lettered and numbered as "0-1, 0-2" for opening paragraphs and "CL-6" for the sixth claims paragraph. Answering an ordinary collection letter with the paragraph book at hand becomes with familiarity a matter of jotting down the numbers of paragraphs which fit each case. The numbers written on the debtor's letter are copied on a collection card and prevent repetition of arguments.

One correspondent who uses a correspondence book dictates a brief personal or closing paragraph when he particularly wants to get into close touch with his pros-

pect. He is careful in this to make some personal reference to the debtor, his location and business, or to touch some intimate point which will get the reader's attention. The result is an extremely persuasive letter.

In checking up the saving made by the correspondence book system, one collector found that the paragraph notation handled one-third of the letters of the department, cut off a correspondent and permitted the substitution of a typist for a stenographer. The combined saving exceeds \$1,800 a year.

Corner-Cutting Plans Which Eliminate Lost Motion in the Collection Department

The correspondence book may be used in a business of any size. Selected paragraphs help in the big corporation, but in a smaller concern a simpler letter-form book can be used effectively. This combines a form letter and paragraph book and is used when duplicate process letters have been found undesirable. The book is made up of entire letters which handle various collections at various stages. The letters are specially copied by a typist in every case, at the direction of the correspondent.

Ingenious correspondents have worked out many other economies only less important than the plant to limit special dictation. Occasionally the employment of an attorney in the collection department is good economy. A correspondent of this sort eliminates the fees required by the outside attorney, reduces legal expense and divides the commission paid the collector when he is compelled to send an account outside the house for collection. He is under the eye of the chief credit man, understands house policy and works accordingly.

Tests taught a St. Paul credit man a variation of the house attorney scheme. He found that the lawyer's letter-head, more than his letters, induced the delinquent to pay up. Trial proved the worth of a new plan. Final collection letters, suited to house system and house policy, and written on the lawyer's stationery. He is paid a small fee for the balancees secured in this way and gets all the court work of the collection department. A similar plan found effective by test is to pay for the use of an established collection agency's letter-heads and to write house letters on its stationery. The agency gets a fee for the accounts collected in its name.

Other ways of cutting corners continually suggest themselves in a well ordered collection department. The telephone may sometimes be used as an economy by the retailer who can build up a tactful talk; use of the wire cuts retail costs and adds a direct personal touch to collection efforts. The street collector supplements mail efforts when debtors are too ignorant or indifferent to heed letters. The traveling salesman can sometimes connect with a customer and save letter writing. He soothes the irritated customer; he appears as the special emissary of the house; he flatters, corrects blunders, and by a visit when the house is at fault frequently saves a special trip by the collection man or his assistants.

While correspondence books and other methods of saving within the department are generally first considered and corrected by the management engaged in paring costs, the chief economy is the proper selection of applicants for credit.

The present credit manager of a Boston newspaper keeps collection losses down to one-half of one per cent, although four managers collected only sixty per cent

of outstanding accounts. The newspaper man has no magic wand to create a flow of dollars. His simple rule is to refuse credit to all applicants who are not listed by commercial agencies or who do not submit a satisfactory detailed statement of their resources. If investigation shows that the prospect is doubtful, cash with order is the rule. Business which does not come up to this standard is refused.

Backbone of this sort rebuilt the business of a retail storekeeper when it was on the point of dissolution. Facing stiff competition from the start, the dealer had granted credit to doubtful applicants to keep their trade from rivals. When an audit of his books showed lingering accounts which should have been net profit, he changed former policies. Now he grants credit only to persons whom he knows are worthy of the favor. Doubtful applicants are politely refused and if they threaten to retaliate by trading at other stores, they are cheerfully allowed to depart. The dealer finds that his policy practically nets him two profits; first, the profit of goods sold for cash which would be lost if sold to a questionable charge customer; second, the cost of the goods, which would also be lost.

Care in selecting credit customers and the willingness to see possible trade pass the door, smooths out the wrinkles in the credit man's brow; but an infallible choice between good and bad prospects is impossible at times. If the bad pay, therefore, gets by the first line of defense, have a second line ready for him. Fix the credit limit when you grant a customer charge privileges. Then watch him and hold to the rule. When a customer fails to pay the just indebtedness at the time agreed, cut him off unless you know that there is suf-

ficient reason for his action. Hoping to be paid and letting a "bad pay" run up bills in the expectation of getting money that has gone before is a brand of optimism which is being driven out of the retail world.

Let no man get on the books without a searching investigation as to his credit standing. In addition to aid received from the commercial agencies, wholesalers may get a line on a man through exchange of information with other concerns or through the use of banks, lawyers or speacial investigators. The retailer has even better credit information sources in his personal knowledge of customers. He can personally check up statements made by the customer in applying for credit. He may know by common report the worth of a prospect. Instalment men, by closely questioning customers and checking various statements against each other, exchanging information, making their street collectors credit investigators and carefully studying the information gained, can limit the amount of bad debts.

Profits in collection hang on judgment—on a readiness to let the other fellow have a prospect's trade when conditions indicate that the applicant is a "something-for-nothing" man.

A third rule in profit making followed by credit and collection men is knowing the point where collect efforts even if they bring in money—result in losses. To know when to cancel a debt, pocket the loss and add another bit to the experience side of the ledger is to apply the law of "diminishing returns" to the collection problem. The collector's first letter yields the best returns; his second letter less; his third still less, and so on. As returns decrease, costs increase, until the place is reached where costs and profits balance.

The collector who knows this danger mark has reached an important point on the way to maximum efficiency in his department. There are several distinct policies as regards the lengths to which to push bad debts of various amounts. Some collectors spend dollars to collect cents and figure that their profit is the educational effect on bad pays. Many collection managers make severe examples of delinquents at first, in the effort to establish a reputation for carrying accounts to payment. Others keep their eye on the number of accounts collected rather than on the net profits of collecting. Study of your business and others in similar lines will point the way to a policy in this matter which will work out to maximum profit. Tests as outlined in the succeeding chapters will uncover many of these necessary facts which mark the profit line in collecting.

Selling Collections

IT is one thing to induce a man to take something he wants—it is quite another to induce him to give up something he wants.

Therein you have the vital difference between the sales and collection letter.

Collection letters turn on one or both of two points: the purchaser's honor and willingness to recognize Golden Rule principles; his obligation to do what he has agreed to do.



CHAPTER XVII

Tests That Show Your Strongest Letters

TIRED of guessing at results and wearying of haphazard excuses which failed to explain, the head of a Western specialty house called his credit men on the carpet.

"See here," said the chief, "I want a show-down. Higman, the works superintendent, lets me know in advance what our output will be. Allen, the sales manager, lets me know to a penny the cost of selling goods. Let's put the collection department on the same basis. Find a way of trying out your schemes before putting them over.

"I want figures—not guesses—from the Collection Department. I want to know in dollars and cents what returns I am getting from my investment in you. I want to know in advance when collections will be bad. Show me the results or reasons why. Give me facts—not fancies."

The straight talk from the hard-headed chief, coupled with a review of the records of the factory superintendent and followed by a few days of mental burrowing for ideas, resulted in new methods in the Collection Depart-

ment. The system which developed in the succeeding six months raised the average of returns twenty-five per cent. Satisfactory increases from the Collection Department have been shown ever since.

A collection quota based on records of previous years is now set for the credit man. Office results are computed with machine-like accuracy. Tests have charted the way so accurately that failure to meet the month's quota can in every case be traced to some influence outside the credit department. The scheme which does the work is based on:

1. Tested contents of letters.
2. Tested intervals between letters.
3. Tested length of the letter campaign.

Keys and Records Which Will Point the Way in a Collection Letter Campaign

Credit men prepare a letter key as the first step in measuring collection returns. Many ways of keying have been tried with success. One correspondent signs each collection letter in a series with a different name and asks the debtor to refer to the writer in replying. Another scheme is to enclose an addressed envelope which has initials marked on the back. Some houses trace results by asking the debtor to return the collection note with their remittance. Various letters in a series may show different house addresses. The bill enclosed may furnish a clue when returned to be receipted. If all the keys fail, the credit for the remittance is given the last letter mailed.

Returns indicated by keyboard letters are checked on monthly forms (Form —) drawn up by the office boy. Rule a letter size sheet with thirty-one horizontal lines

for the dates of the month. Then draw vertical columns corresponding to the number of letters used in the campaign. These columns may be divided into three parts. The space at the left shows the number of letters sent out during the day. The middle space shows the amount of cash received, and the space at the right, the number of replies received to the letter on the one day. The daily record, used in combination with the key, will determine most of the facts desired in relation to your collection efforts. Study of results attained will show the office worker efficiency truths which will materially raise his averages.

A Seattle man who tried a test saw that the third letter of his series ran far ahead of the results produced by the preceding two. A study of the third letter suggested that it had an argument paragraph containing a subtle and seductive appeal. This was followed by a close carrying a note of urgency which the other two letters lacked.

Following the hint brought out by the test, he substituted the third letter for the first and checked the results as before. Returns, however, did not fully justify the change. Further study suggested the worth of the opening paragraph in the first letter. This was added to the argument and close of the third letter and made up the most effective letter he has ever developed. The tests secured a saving of time and routine, stamps, stationery and interest on the deferred payments.

*How a Credit Man Tested the Value of Enclosures
in His Collection Letters*

In another section of the country a mail order collector conceived the idea that a selling circular would

get results if enclosed in the first collection letter. The office council scoffed at the idea of selling goods in connection with a dunning letter, but the collector finally won permission to test the scheme on a list of five hundred letters. The idea was successful; tests and records—cold figures—disproved office guessing and theories.

Whenever a wholesale house collector on the Atlantic seaboard encounters the necessity of changing the text of a collection letter, he writes his copy and submits it, not to the critical whims of his office associates, but to some of his debtors. Often the tests run over an interval of six months, but the records so secured make up a table of results which allow the collector to predict with certainty just what his average of returns for the year will be.

If the time between collection letters seems too long, select a list of debtors, key trial letters and send them out on shorter intervals. Keep a record of results and let the debtor tell you by his payments whether the new idea is a good one.

How to Make Your Returns from Collection Letters Prove the Value of New Schemes

The greatest danger of new schemes lies in depending upon impressions. Take no man's opinion, no matter how expert he is, on whether a new scheme is good or bad. Try it. Selecting the list is merely the application of business sense. Be sure that it is representative. Consult your credit records; consider the time of test and of letters; watch locality, race and creed; note the little thing, such as weather and season of year. The time spent in making up lists for trial letters will pay for itself.

One man found the value of selection when a letter which tested well in the city failed utterly in the country. Analysis showed that the crisp, clean-cut business talk which won city dealers had no appeal to the country man who had time to read a long letter. A new letter tested on a country list accurately forecasted results. The experiment failed the first time because the difference in temperament had not been considered. Thus tests mold your "copy" to suit your reader.

In another business, cause of failure lay in the difference in type between northern and southern men. Similarly, an implement man who was about to reject a letter which pulled in tests, but which failed in practice, reconsidered his action at the thought that the tests had been made in an off-season while letters had been mailed during the farmers' busy months.

Tests demonstrate the folly of blindly following precedent and routine. They point with unimpeachable accuracy to good and bad letters. Tests show costs, estimate returns, detect blunders, check mistakes. Tests turn on the light in the collection department. The records are the proved charts by which the course of the collection correspondence may be accurately laid.

PERSONALITY furnishes the keynote to every business proposition. Men, not money, are the determining factors in commercial and industrial undertakings.—*Frederick W. Upham*

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